

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name County of Benzie, Michigan	County Benzie
Fiscal Year End September 30, 2006	Opinion Date January 12, 2007	Date Audit Report Submitted to State March 27, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

☒ ☐ **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe) Single Audit	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI
		Zip 49788	
Authorizing CPA Signature <i>Kenneth A. Talsma</i>	Printed Name Kenneth A. Talsma		License Number 1101024989

COUNTY OF BENZIE, MICHIGAN

BASIC FINANCIAL STATEMENTS

September 30, 2006

BENZIE COUNTY, MICHIGAN

ORGANIZATION

MEMBERS OF THE COUNTY COMMISSION

CHAIR PERSON	Mark Roper
VICE CHAIR PERSON	Mary J. Pitcher
COMMISSIONER	Jeffery P. Sandman
COMMISSIONER	Anne Damm
COMMISSIONER	Frank F. Walterhouse
COMMISSIONER	Tom Kelley
COMMISSIONER	Donald C. Smeltzer

APPOINTED/ELECTED OFFICIALS

COUNTY CONTROLLER	Charles Clarke
COUNTY TREASURER	Linda Wilson
COUNTY CLERK	Dawn Olney

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
Of the Board of Commissioners
County of Benzie, Michigan
P.O. Box 377
Beulah, Michigan 49617

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Benzie, Michigan as of and for the year ended September 30, 2006, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County of Benzie's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Benzie, Michigan as of the year ended September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2007, on our consideration of the County of Benzie's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparisons as listed in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Benzie's, basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The additional information regarding the Municipal Securities Disclosure Requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of the County of Benzie. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Anderson, Tackman & Company, PLC
Certified Public Accountants

January 12, 2007

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements.

The County as a Whole

The County continued operating its fiscal year starting on October 1st and running to September 30th of the following year. The Fiscal Year 2006 was the third consecutive full year we have had under this operational year concept and comparisons of data continued to be more meaningful as 12 months are being compared to the 12 months of each of the previous two years and the nine month fiscal year of 2003 stands more in the distant past. There is still a need, however, to keep the shorter fiscal year of 2003 in mind when comparing data and prorate pertinent information from that year.

The County budgeted to continue its program of setting aside a quarter of the growth in property taxes and special millages and shifting those funds into designated fund balances of their respective funds for cash purposes for the fourth quarter calendar year or first quarter fiscal year operations of the ensuing year. The concept of this was to add growth to the cash set aside for the fund to operate until taxes for the next year are collected. With 2006 being the second year in the State's new concept of a revenue sharing plan, the deferral of cash to the first quarter ceased to be as viable a need for the General Fund. The general property tax collection plan was in the midst of a significant shift in 2006 that dramatically alters how cash enters the General Fund. The other tax based funds, including the Jail, Animal Control, and Advanced Life Support Funds and the fee based Solid Waste/Recycling Fund, are not affected by the revenue sharing program and continue to have a quarter of its tax growth set aside.

The County's operating funds experienced mixed degrees of successes during the year. The General Fund continued to exhibit strength and stability as revenues exceeded expenses which more than offset the limited uses of the fund balance for capital purchases, while other funds such as the Jail, 9-1-1 Dispatch, and Animal Control remained tight with revenue and expenses being close and little room for margins of error available to be covered by their fund balances. The major fund that saw decline was the Building Department Fund which is supported only by its fees. As the building intensity of the previous few years leveled off the fund's revenue from permits declined. Expenses were also increased here with the hiring of a new Building Official and consequence increase of the staff. This decline had previously been projected as an eventual factor, however, and is why fund balances of 40% or more were desired and attained instead of the normal 10% for other funds that have potential less volatility in their revenues.

A surcharge for 9-1-1 operations was renewed effective on January 1, 2006 and the millage for Animal Control Services was renewed and restored to .1 mill by the voters effective for the 2007 fiscal year. A Transportation Authority was established which sought and gained approval from the voters of a millage for bus transportation within the County. By its establishment the Authority is independent of County operations.

In a condensed format, the table below shows the net assets of Benzie County.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current Assets	\$ 4,549,434	\$ 3,937,272	\$ 6,276,686	\$ 6,022,512	\$ 10,826,120	\$ 9,959,784
Noncurrent Assets	<u>11,297,925</u>	<u>10,747,124</u>	<u>2,335,355</u>	<u>2,268,242</u>	<u>13,633,280</u>	<u>13,015,366</u>
Total Assets	<u>\$ 15,847,359</u>	<u>\$ 14,684,396</u>	<u>\$ 8,612,041</u>	<u>\$ 8,290,754</u>	<u>\$ 24,549,400</u>	<u>\$ 22,975,150</u>
Current Liabilities	\$ 1,166,561	\$ 941,448	\$ 1,056,957	\$ 1,110,478	\$ 2,223,518	\$ 2,051,926
Noncurrent Liabilities	<u>1,999,436</u>	<u>2,287,210</u>	<u>157,317</u>	<u>150,251</u>	<u>2,156,753</u>	<u>2,437,461</u>
Total Liabilities	<u>3,165,997</u>	<u>3,228,658</u>	<u>1,214,274</u>	<u>1,260,729</u>	<u>4,380,271</u>	<u>4,489,387</u>
Net Assets						
Invested in Capital Assets -						
Net of Debt	8,978,789	7,993,296	2,335,355	2,268,242	11,314,144	10,261,538
Unrestricted (Deficit)	2,270,587	3,462,442	5,062,412	4,761,783	7,332,999	8,224,225
Restricted	<u>1,431,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,431,986</u>	<u>-</u>
Total Net Assets	<u>\$ 12,681,362</u>	<u>\$ 11,455,738</u>	<u>\$ 7,397,767</u>	<u>\$ 7,030,025</u>	<u>\$ 20,079,129</u>	<u>\$ 18,485,763</u>

The current level of unrestricted net assets for our governmental activities stands at \$2,270,587, or about 23% of expenses. This is within the targeted range set by the County Board of Commissioners during its last budget process.

Net Assets of the governmental activities increased approximately 9%. Net Assets of the business-type activities increased approximately 8%.

The following table shows the activities of the County.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Program Revenues						
Charges for Services	\$ 3,072,709	\$ 2,941,451	\$ 5,736,430	\$ 4,748,642	\$ 8,809,139	\$ 7,690,093
Operating Grants and Contributions	929,741	1,405,099	-	-	929,741	1,405,099
Capital Grants and Contributions	422	1,129	-	-	422	1,129
General Revenues						
Property Taxes	6,649,412	6,332,166	810,253	767,534	7,459,665	7,099,700
Unrestricted Investment Earnings	138,150	204,172	99,245	60,895	237,395	265,067
Other Revenue	<u>142,210</u>	<u>21,052</u>	<u>-</u>	<u>-</u>	<u>142,210</u>	<u>21,052</u>
Total Revenues	<u>10,932,644</u>	<u>10,905,069</u>	<u>6,645,928</u>	<u>5,577,071</u>	<u>17,578,572</u>	<u>16,482,140</u>
Program Expenses						
Legislative	78,835	83,828	-	-	78,835	83,828
Judicial	694,766	611,437	-	-	694,766	611,437
General Government	1,488,883	1,426,205	-	-	1,488,883	1,426,205
Public Safety	3,433,247	3,288,557	-	-	3,433,247	3,288,557
Public Works	158,105	466,241	-	-	158,105	466,241
Health and Welfare	2,563,787	2,076,582	-	-	2,563,787	2,076,582
Recreation and Culture	81,137	572,295	-	-	81,137	572,295
Interest Expense – Unallocated	142,434	150,616	-	-	142,434	150,616
Other Expenses	1,260,464	1,440,359	-	-	1,260,464	1,440,359
Tax Collection	-	-	70,755	42,637	70,755	42,637
Economic Development	-	-	263,425	10,099	263,425	10,099
Medical Care Facility	-	-	5,715,893	5,223,821	5,715,893	5,223,821
Sheriff Commissary	<u>-</u>	<u>-</u>	<u>25,099</u>	<u>-</u>	<u>25,099</u>	<u>-</u>
Total Expenses	<u>9,901,658</u>	<u>10,116,120</u>	<u>6,075,172</u>	<u>5,276,557</u>	<u>15,976,830</u>	<u>15,392,677</u>
Excess (Deficiency) Before Transfers	1,030,986	788,949	570,756	300,514	1,601,742	1,089,463
Transfers	<u>(12,106)</u>	<u>-</u>	<u>12,106</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Net Assets	1,018,880	788,949	582,862	300,514	1,601,742	1,089,463
Beginning Net Assets	11,455,738	10,666,789	7,030,025	6,729,511	18,485,763	17,396,300
Prior Period Adjustment	<u>206,744</u>	<u>-</u>	<u>(215,120)</u>	<u>-</u>	<u>(8,376)</u>	<u>-</u>
Ending Net Assets	<u>\$ 12,681,362</u>	<u>\$ 11,455,738</u>	<u>\$ 7,397,767</u>	<u>\$ 7,030,025</u>	<u>\$ 20,079,129</u>	<u>\$ 18,485,763</u>

Governmental Activities

Revenue from property taxes increased 17% from the previous year, gaining \$487,159, about two-thirds of which compensated for the taxes that were not collected in the previous year due to the change in the State's Revenue Sharing Plan and the time when property taxes were collected. Of that amount, approximately \$170,434 represented a gain in property taxes from an increase in the County's collective property's taxable value. This is a 5.6 percent increase which is consistent with a trend we have seen for the past four years.

The State's revenue sharing plan for 2006 called for two-thirds of the 2006 property tax to be billed in July of 2006 and with half of it added to an escrow account in the second step of seeding a fund to provide for the substitution of revenue sharing for a number of years. A designated amount from this fund would be drawn out each year as the County's portion of revenue sharing for that year. This shift to July for general property tax billing and beginning of the collection period produced the first real impact on the cash status of the General Fund in 2006 as total billing of taxes was not completed until ten months into the fiscal year. The State's plan assumed and created a need to borrow from the escrow account to fund operations until the remaining taxes were collected.

This plan meant that setting aside funds for the fourth quarter of the calendar year was no longer necessary as the County would have to borrow money from the escrow account anyway. The County had built up over \$600,000 in the Restricted Fund Balance of the General Fund for purposes of providing cash for the end of the calendar year and will now find itself borrowing from the escrow or Revenue Sharing account to fund the majority of the year.

The County had wanted to address long needed renovations to the Government Center building and had estimated the cost at \$1.25 million dollars. As the Restricted Fund Balance in the General Fund was no longer particularly necessary to use for cash for the first quarter of the next fiscal year, it was decided to use this build-up of reserves for the first phase of the building's capital improvement project. In the summer of 2006 the project, consisting of the replacement of the heating, air conditioning, and ventilation units, the roof, and brick restoration, began and is reflected in the construction in progress category in the detail of the asset report. These funds paid for the cost of the entire first phase of the total project. Phase II of the project, consisting of interior renovation, will begin at a later date and funds that had been consistently budgeted for the fourth quarter, will now be applied toward payments of the funding for this capital project.

When it was discovered in 2004 that the millage for Jail Debt and Operations, passed in 1989, had not been rolled back, a recalculation of this millage had to be accomplished. This new percentage factor meant about a \$400,000 reduction in funds necessary to operate the Jail. For 2006, an additional adjustment was made in the calculations which further hampered financial support for the Jail fund and to compensate for that, \$450,000 was budgeted and transferred to the Jail Fund from the General Fund. The by product of that called for a reduction in expenses in the General Fund and among other things, the funding for six deputy Sheriffs were eliminated.

There was a remarkable lack of an increase in health insurance costs in 2006 from 2005. We view this as a temporary aberration in the industry. Liability insurance costs only experienced a five percent increase and continued a decline as recent trends indicated. All of the major funds contribute to both liability insurance and health insurance costs with the employee costs for the latter being provided by the fund that supports them. No additional funds were paid toward the liability retention fund as that ended in a positive note at the end of the year for the first time in four years.

The wage rate increase ranged from two and one-half to five percent for all categories of employees which became effective on January 1, 2006.

Business-Type Activities

The Medical Care Facility did not have any significant events occur in fiscal year 2006 with the exception of a change in leadership (new Administrator, Director of Nursing and Board of Directors). Fiscal year 2006 admissions were 70 with 74 discharges. This represents a 67% increase in admissions and discharges. This is consistent with the trend in skilled nursing facilities to provide more post hospital rehab and a decrease of long-term care. This trend is a result of stricter Medicare guidelines regulating how long Medicare will pay for inpatient hospital stays.

The County's Funds

Our analysis of the County's major funds begins on page 12 following the entity wide financial statements. The individual fund financial statements provide detail information about the most significant funds, not the County as a whole. The County Board of Commissioners creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The County's major funds for 2006 include the General Fund, Jail Operations Fund, Advanced Life Support Fund, Jail Millage Fund, Revenue Sharing Reserve Fund, Building Authority Fund, Medical Care Facility Fund, Economic Development Fund, and Delinquent Tax Fund. Funds supported by special millages consist of the Medical Care Facility, the Jail, Commission on Aging, Advanced Life Support, and Animal Control.

The General Fund supports most of the County's governmental services. The costliest are the police, court, and law enforcement functions. The Jail Fund is supported by an Operational and Bond millage and is augmented with the renting of inmate space (beds) to other governmental entities. The Animal Control Fund is supported by its millage, license fees, and fee based services. The Advanced Life Support Fund is supported by its millage and fees for services. The Economic Development Fund is supported by loan repayments. The Delinquent Tax fund is supported by interest and fees from the collection of taxes. The Medical Care Facility is largely supported by its millage, fees charged to clients, and related insurance reimbursements. Funds from the Commission on Aging millage are provided to the Council on Aging, a non-profit organization, in a contractual relationship.

General Fund Budgetary Highlights

Revenue in the Register of Deeds from Record Copying and Real Estate Transfer Tax declined significantly, approximately \$17,000 in the former and \$31,000 in the latter. This was an indication that real estate transfers and the refinancing trend was slowing down. We did budget conservatively thinking the trend would continue to revert to historical averages so it was not a major shock to expected revenues. Income from fines and fees in the District Court only declined about \$10,000 despite the elimination of six deputy positions in the Sheriff's Office. But that was \$10,000 greater than what was budgeted and offset the decline in revenue from the Register of Deeds. When everything is taken into consideration with Revenue Sharing and the receipt of property taxes, the year ended with a surplus of revenue over expenses of approximately \$282,146 which tripled what was spent out of the fund balance for both capital and one time operational purposes. This year end position can again be attributed to revenue increases that were conservatively projected and expenses that came well within the budget. Elected Officials and Department Heads, with limited exceptions, continue to exhibit diligence across the board of keeping within budget parameters or identifying problems before they occur.

Over the course of the year the County Board amended the General Fund budget to reflect adjustments in revenues that developed in the year. The major revenue increases were in Property Taxes and District Court costs as has previously been mentioned. Major changes in expenses included building and security improvements related to a murder trial, reinstating two deputy positions at the end of the year, benefit costs relating to the latter, and the reduction in the transfer to the Child Care Fund.

Other Funds

Operational developments and growth in the fledging Advanced Life Support (ALS) Fund impacted significantly on this fund and the existing Ambulance or Basic Life Support (BLS) Fund. The ALS Fund experienced all at once, or so it seemed, growth and volatility as it strove for stability. Its initial Director resigned six months into the year among other personnel changes, and equipment and infrastructure purchases were made, sometimes in a hurried fashion. Billing for the BLS and ALS functions became blended into an Emergency Medical Service function and was laborious to separate from a revenue standpoint. In reality, the two funds became interdependent. In the interim, staffing and support for the BLS Fund had to be improved and it costs came with growing pains of its own. It took the year to stabilize. The end result was a fund with nothing left in it but a much needed change in its operational direction and the transition to both entities into an Emergency Medical Services Fund for the following year.

The Solid Waste/Recycling Fund had a previously established healthy fund balance which weathered the dropping out of a large participating township during the year. This factor cut into expected revenues without correspondingly cutting expenses. The program was to change again but to the better for the following year with all of the municipalities coming on board and participating.

Restoration of three of the four historic buildings on the Point Betsie Light Station was completed in 2006. The project is funded by multiple grants the main one being the Clean Michigan Initiative Grant for Waterfront Redevelopment for Lighthouses. The lighthouse has its own fund established where capital improvements, funded through grants, and operations, funded through a partnering non-profit organization, occur. These improvements are reflected in the detailed asset report.

The Betsie Valley Trail Fund wrapped up its last major construction project, consisting of gravel resurfacing of an approximate 17 mile stretch from Beulah to Thompsonville, which finishes the majority of the conversion of the old railroad bed to recreational trail. A minimal State grant for maintenance of the trail was maintained.

Capital Asset and Debt Administration

During the 2006 period, the County invested or acquired \$781,113 in capital assets that meet the dollar threshold of the reporting requirement. A significant portion of the additions was for the restoration of the Point Betsie Lighthouse and renovations to the Government Center.

The County reduced its bond debt load by \$1,510,000 in principal payments, issued new debt in the amount of \$1,000,000 in 2006 ending with a debt balance of \$2,940,000. \$1,075,000 was for payments on delinquent taxes with the balance being put toward bonds for the Jail and Government Center buildings.

Economic Factors and Next Year's Budgets and Rates

This year saw the County use some of its reserves to purchase improved technology equipment in the Clerk's Office and address building and security needs. We continue to be in the position where we are sufficiently stable in the General Fund and can fall back on reserves when the situation dictates. This has been a County goal that has been realized and maintained. That we are able to replenish that reserve in the same year is a further sign of the internal stability of the fund. Other funds, however, give cause for some concern. The Jail Fund performed better in 2006 but its millage is running out and replacing it represents the greatest challenge to the County in the future. The 9-1-1 Fund is experiencing declining revenue from land line surcharges and the rate was increased in 2006. Wireless revenue seems to be on the rise and we're awaiting stability of its revenue from the State now that Phase II of Enhanced Access is complete. The recycling program has taken an upwards turn and we see it being stable for some time. The fledging ALS Fund and Ambulance Fund are in state of transition and will take a couple of years to further stabilize as a history of revenues from fees is established and expenses are brought under control. The Building Department Fund will have to be reevaluated if revenues continue to decline. Its fees are continually reviewed but are generally low in comparison to other counties. The County as a whole continues to be in excellent financial shape and manages its money well. It, however, faces a major task in renewing the millage that supports jail operations and will have to take concerted efforts in order to maintain the level of services it has now let alone expand on them.

Management's Discussion and Analysis – Component Units

A separate management's discussion and analysis is available for the Benzie/Leelanau District Health Department. Refer to the Departments audit report for that analysis.

Contacting the County's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the Controller's Office at (231) 882-0035.

Basic Financial Statements

County of Benzie, Michigan

Statement of Net Assets September 30, 2006

	Primary Government			
	Governmental	Business-type		Component
	Activities	Activities	Totals	Units
ASSETS:				
Current Assets:				
Cash & Equivalents - Unrestricted	\$ 3,819,369	\$ 3,572,442	\$ 7,391,811	\$ 972,926
- Restricted	-	452,005	452,005	-
Receivables:				
Accounts	225,419	778,663	1,004,082	493,364
Taxes	417,629	891,626	1,309,255	-
Interest	-	76,771	76,771	-
Notes	-	256,143	256,143	-
Internal Loans	(200,000)	200,000	-	-
Prepaid Expenses	55,623	46,093	101,716	47,274
Due from Governmental Units	231,394	2,943	234,337	153,589
Inventories	-	-	-	486,012
Total Current Assets	<u>4,549,434</u>	<u>6,276,686</u>	<u>10,826,120</u>	<u>2,153,165</u>
Noncurrent Assets:				
Capital Assets (Not Depreciated)	6,313,480	75,408	6,388,888	1,001,344
Capital Assets (Net of Accumulated Depreciation)	<u>4,984,445</u>	<u>2,259,947</u>	<u>7,244,392</u>	<u>4,527,590</u>
Total Non Current Assets	<u>11,297,925</u>	<u>2,335,355</u>	<u>13,633,280</u>	<u>5,528,934</u>
TOTAL ASSETS	<u>\$ 15,847,359</u>	<u>\$ 8,612,041</u>	<u>\$ 24,459,400</u>	<u>\$ 7,682,099</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 565,376	\$ 130,530	\$ 695,906	\$ 28,488
Accrued Liabilities	74,965	125,222	200,187	59,807
Accrued Interest Payable	8,557	-	8,557	-
Due to Governmental Units	-	-	-	217,931
Deferred Revenue	-	126,205	126,205	8,161
Capital Leases	37,663	-	37,663	-
Installment Loans	-	-	-	228,152
Bonds Payable	480,000	-	480,000	-
Notes Payable	-	675,000	675,000	-
Total Current Liabilities	<u>1,166,561</u>	<u>1,056,957</u>	<u>2,223,518</u>	<u>542,539</u>
Noncurrent Liabilities:				
Vested Employee Benefits	197,963	157,317	355,280	115,415
Installment Loans	-	-	-	223,780
Capital Leases	16,473	-	16,473	-
Bonds Payable	<u>1,785,000</u>	-	<u>1,785,000</u>	-
Total Noncurrent Liabilities	<u>1,999,436</u>	<u>157,317</u>	<u>2,156,753</u>	<u>339,195</u>
TOTAL LIABILITIES	<u>3,165,997</u>	<u>1,214,274</u>	<u>4,380,271</u>	<u>881,734</u>
NET ASSETS:				
Invested in Capital Assets (net of related debt)	8,978,789	2,335,355	11,314,144	5,077,002
Restricted	1,431,986	-	1,431,986	1,320,287
Unrestricted	<u>2,270,587</u>	<u>5,062,412</u>	<u>7,332,999</u>	<u>403,076</u>
TOTAL NET ASSETS	<u>\$ 12,681,362</u>	<u>\$ 7,397,767</u>	<u>\$ 20,079,129</u>	<u>\$ 6,800,365</u>

See accompanying notes to financial statements.

County of Benzie, Michigan

Statement of Activities Year Ended September 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative	\$ 78,835	\$ -	\$ -	\$ -	\$ (78,835)	\$ -	\$ (78,835)	\$ -
Judicial	694,766	324,872	90,347	-	(279,547)	-	(279,547)	-
General Government	1,488,883	651,711	214,214	-	(622,958)	-	(622,958)	-
Public Safety	3,433,247	1,237,247	234,391	422	(1,961,187)	-	(1,961,187)	-
Public Works	158,105	129,622	44,275	-	15,792	-	15,792	-
Health & Welfare	2,563,787	724,388	117,297	-	(1,722,102)	-	(1,722,102)	-
Recreation & Culture	81,137	4,869	229,217	-	152,949	-	152,949	-
Interest expense - Unallocated	142,434	-	-	-	(142,434)	-	(142,434)	-
Other Expenses	1,260,464	-	-	-	(1,260,464)	-	(1,260,464)	-
Total Governmental Activities	9,901,658	3,072,709	929,741	422	(5,898,786)	-	(5,898,786)	-
Business-type Activities:								
Tax Collection	70,755	344,639	-	-	-	273,884	273,884	-
Economic Development	263,425	46,074	-	-	-	(217,351)	(217,351)	-
Sheriff Commissary	25,099	24,200	-	-	-	(899)	(899)	-
Medical Care Facility	5,715,893	5,321,517	-	-	-	(394,376)	(394,376)	-
Total Business-type Activities	6,075,172	5,736,430	-	-	-	(338,742)	(338,742)	-
Total Primary Government	\$ 15,976,830	\$ 8,809,139	\$ 929,741	\$ 422	(5,898,786)	(338,742)	(6,237,528)	-
Component Units:								
Road Commission	\$ 5,327,435	\$ 1,324,022	\$ 3,566,269	\$ -				(437,144)
Benzie/Leelanau Health Dept.	2,249,148	668,897	946,555	-				(633,696)
Total Component Units	7,576,583	1,992,919	4,512,824	-				(1,070,840)
Total	\$ 23,553,413	\$ 10,802,058	\$ 5,442,565	\$ 422				
General Revenues:								
Taxes					6,649,412	810,253	7,459,665	-
Appropriations					-	-	-	390,060
Investment Earnings (Loss)					138,150	99,245	237,395	33,855
Other					142,210	-	142,210	291,311
Transfers					(12,106)	12,106	-	-
Total General Revenues and Transfers					6,917,666	921,604	7,839,270	715,226
Changes in Net Assets					1,018,880	582,862	1,601,742	(355,614)
Prior Period Adjustment					206,744	(215,120)	(8,376)	-
Net Assets - Beginning					11,455,738	7,030,025	18,485,763	7,155,979
Net Assets - Ending					\$ 12,681,362	\$ 7,397,767	\$ 20,079,129	\$ 6,800,365

County of Benzie, Michigan

Balance Sheet Governmental Funds September 30, 2006

	General	Jail Operations	Advanced Life Support (ALS)	Revenue Sharing Reserve	Jail Millage	Building Authority	Other Governmental Funds	Total Governmental Funds
ASSETS:								
Cash & Equivalents - Unrestricted	\$ 373,501	\$ 273,552	\$ 30,882	\$ 1,313,757	\$ 17,627	\$ 649,648	\$ 1,160,402	\$ 3,819,369
Receivables:								
Accounts	-	4,610	102,124	-	-	-	118,685	225,419
Taxes	417,629	-	-	-	-	-	-	417,629
Prepaid Expenses	30,400	14,371	-	-	-	-	10,852	55,623
Due From Other Funds	-	-	12,726	118,229	-	-	-	130,955
Due from Governmental Units	31,383	-	-	-	-	-	200,011	231,394
TOTAL ASSETS	\$ 852,913	\$ 292,533	\$ 145,732	\$ 1,431,986	\$ 17,627	\$ 649,648	\$ 1,489,950	\$ 4,880,389
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ 118,229	\$ -	\$ -	\$ -	\$ 212,726	\$ 330,955
Accounts Payable	103,851	13,729	13,738	-	-	384,519	49,539	565,376
Accrued Liabilities	32,760	13,651	13,765	-	-	-	14,789	74,965
TOTAL LIABILITIES	136,611	27,380	145,732	-	-	384,519	277,054	971,296
FUND BALANCES:								
Reserved	-	-	-	1,431,986	-	-	-	1,431,986
Unreserved:								
Undesignated	128,705	-	-	-	-	-	-	128,705
Designated	587,597	265,153	-	-	17,627	265,129	1,212,896	2,348,402
TOTAL FUND BALANCES	716,302	265,153	-	1,431,986	17,627	265,129	1,212,896	3,909,093
TOTAL LIABILITIES AND FUND BALANCES	\$ 852,913	\$ 292,533	\$ 145,732	\$ 1,431,986	\$ 17,627	\$ 649,648	\$ 1,489,950	
Reconciliation to amounts reported for governmental activities in the statement of net assets:								
Capital assets used by governmental activities								11,297,925
Long term notes & leases payable for governmental activities								(2,319,136)
Compensated absences liability								(197,963)
Accrued interest expense								(8,557)
Net assets of governmental activities								\$ 12,681,362

See accompanying notes to financial statements.

County of Benzie, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds Year Ended September 30, 2006

	General	Jail Operations	Advanced Life Support (ALS)	Revenue Sharing Reserve	Jail Millage	Building Authority	Other Governmental Funds	Total Governmental Funds
REVENUES:								
Taxes	\$ 3,432,152	\$ -	\$ -	\$ 1,004,059	\$ 1,126,554	\$ -	\$ 1,086,647	\$ 6,649,412
Licenses & Permits	41,122	-	-	-	-	-	-	41,122
Federal Sources	68,031	-	-	-	-	-	135,182	203,213
State Sources	303,331	1,643	-	-	-	-	369,763	674,737
Local Sources	-	-	-	-	-	-	54,191	54,191
Contributions	-	-	-	-	-	-	422	422
Charges for Services	886,421	206,396	373,515	-	-	-	1,361,913	2,828,245
Refunds & Reimbursements	115,707	-	191	-	-	-	9,923	125,821
Interest & Rentals	80,906	-	-	34,265	3,357	-	139,959	258,487
Other Revenue	-	1,986	-	-	-	-	95,008	96,994
TOTAL REVENUES	4,927,670	210,025	373,706	1,038,324	1,129,911	-	3,253,008	10,932,644
EXPENDITURES:								
Legislative	78,835	-	-	-	-	-	-	78,835
Judicial	672,784	-	-	-	-	-	26,631	699,415
General Government	1,418,474	-	-	-	-	-	3,597	1,422,071
Public Safety	775,284	1,357,302	-	-	761	-	1,126,191	3,259,538
Public Works	-	-	-	-	-	-	161,434	161,434
Health & Welfare	519,002	-	812,117	-	-	-	1,141,995	2,473,114
Recreation & Cultural	239	-	-	-	-	-	80,898	81,137
Capital Outlay	49,488	-	-	-	-	435,238	337,539	822,265
Debt Service	-	-	-	-	-	-	581,869	581,869
Other Expenditures	1,131,418	-	-	-	-	-	-	1,131,418
TOTAL EXPENDITURES	4,645,524	1,357,302	812,117	-	761	435,238	3,460,154	10,711,096
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	282,146	(1,147,277)	(438,411)	1,038,324	1,129,150	(435,238)	(207,146)	221,548
OTHER FINANCING SOURCES (USES):								
Lease Proceeds	49,488	-	-	-	-	-	-	49,488
Operating Transfers In	290,046	1,169,113	421,244	-	-	700,000	606,157	3,186,560
Operating Transfers Out	(1,295,364)	(6,306)	(62,598)	(283,006)	(1,123,108)	-	(428,284)	(3,198,666)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(673,684)	15,530	(79,765)	755,318	6,042	264,762	(29,273)	258,930
FUND BALANCES, OCTOBER 1	1,389,986	249,623	79,765	676,668	11,585	367	1,242,169	3,650,163
FUND BALANCES, SEPTEMBER 30	\$ 716,302	\$ 265,153	\$ -	\$ 1,431,986	\$ 17,627	\$ 265,129	\$ 1,212,896	\$ 3,909,093

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2006**

Net Changes in fund balances – total governmental funds \$ 258,930

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$781,113) exceeded depreciation expense (\$399,257) and loss on disposal of fixed assets (\$37,799). 344,057

Repayment of principal is an expenditure in the governmental fund but reduces the liability in the statement of net assets.

Principal repayments:
Bond Principal 435,000
Capital Lease 49,180

Bond proceeds and capital lease proceeds are an other financing sources in the governmental funds, but increases the liability in the statement of net assets.

Lease Proceeds (49,488)

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences \$ (23,234)
Accrued interest on bonds 4,435
(18,799)

Changes in net assets of governmental funds \$ 1,018,880

Statement of Net Assets
Proprietary Funds
September 30, 2006

	Enterprise Funds				Totals
	Economic Development	County Medical Care Facility	Delinquent Tax Revolving	Other Funds	
ASSETS:					
Cash & Equivalents - Unrestricted	\$ 721,265	\$ 909,298	\$ 1,746,114	\$ 195,765	\$ 3,572,442
- Restricted	-	452,005	-	-	452,005
Receivables:					
Accounts	-	778,663	-	-	778,663
Taxes	-	-	891,626	-	891,626
Interest	-	-	76,771	-	76,771
Notes	256,143	-	-	-	256,143
Prepaid Expenses	-	46,093	-	-	46,093
Due From Other Funds	-	-	200,000	-	200,000
Due From Others	-	2,943	-	-	2,943
Land & Improvements	-	105,600	-	-	105,600
Buildings & Improvements	-	3,529,296	-	-	3,529,296
Machinery & Equipment	-	1,270,196	-	-	1,270,196
Construction in Progress	-	62,984	-	-	62,984
Accumulated Depreciation	-	(2,632,721)	-	-	(2,632,721)
TOTAL ASSETS	<u>\$ 977,408</u>	<u>\$ 4,524,357</u>	<u>\$ 2,914,511</u>	<u>\$ 195,765</u>	<u>\$ 8,612,041</u>
LIABILITIES:					
Accounts Payable	\$ -	\$ 130,530	\$ -	\$ -	\$ 130,530
Accrued Liabilities	-	125,222	-	-	125,222
Vested Employee Benefits	-	157,317	-	-	157,317
Deferred Revenue	-	-	126,205	-	126,205
Notes Payable	-	-	675,000	-	675,000
TOTAL LIABILITIES	<u>-</u>	<u>413,069</u>	<u>801,205</u>	<u>-</u>	<u>1,214,274</u>
NET ASSETS:					
Invested in Capital Assets (net of related debt)	-	2,335,355	-	-	2,335,355
Unrestricted	977,408	1,775,933	2,113,306	195,765	5,062,412
TOTAL NET ASSETS	<u>\$ 977,408</u>	<u>\$ 4,111,288</u>	<u>\$ 2,113,306</u>	<u>\$ 195,765</u>	<u>\$ 7,397,767</u>

**Statement of Revenues, Expenses, and
Changes in Net Assets - Proprietary Funds
Year Ended September 30, 2006**

	Enterprise Funds				
	Economic Development	County Medical Care Facility	Delinquent Tax Revolving	Other Funds	Totals
OPERATING REVENUES:					
Taxes & Penalties	\$ -	\$ 810,253	\$ -	\$ -	\$ 810,253
Charges for Services	-	5,131,397	60,848	142,555	5,334,800
Interest & Rentals	46,074	-	137,791	-	183,865
Contributions	-	38,630	-	-	38,630
Other Revenue	-	151,490	27,645	-	179,135
Total Operating Revenues	46,074	6,131,770	226,284	142,555	6,546,683
OPERATING EXPENSES:					
General & Administrative	263,425	2,122,715	-	-	2,386,140
Contracted Services	-	3,593,178	-	-	3,593,178
Other Expenses	-	-	8,524	62,286	70,810
Total Operating Expenses	263,425	5,715,893	8,524	62,286	6,050,128
OPERATING INCOME (LOSS)	(217,351)	415,877	217,760	80,269	496,555
NON-OPERATING REVENUES (EXPENSES):					
Interest & Rentals	-	41,097	58,148	-	99,245
Interest & Fiscal Charges	-	-	(25,044)	-	(25,044)
Total Non-Operating Revenues (Expenses)	-	41,097	33,104	-	74,201
INCOME (LOSS) BEFORE TRANSFERS	(217,351)	456,974	250,864	80,269	570,756
Operating Transfers In	-	-	5,800	11,822	17,622
Operating Transfers Out	-	-	(5,516)	-	(5,516)
CHANGES IN NET ASSETS	(217,351)	456,974	251,148	92,091	582,862
NET ASSETS, OCTOBER 1	1,194,759	3,869,434	1,862,158	103,674	7,030,025
Prior Period Adjustment	-	(215,120)	-	-	(215,120)
NET ASSETS, SEPTEMBER 30	<u>\$ 977,408</u>	<u>\$ 4,111,288</u>	<u>\$ 2,113,306</u>	<u>\$ 195,765</u>	<u>\$ 7,397,767</u>

County of Benzie, Michigan

Statement of Cash Flows Proprietary Funds Year Ended September 30, 2006

	Enterprise Funds				
	Economic Development	County Medical Care Facility	Delinquent Tax Revolving	Other Funds	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Customers	\$ 328,159	\$ 5,718,076	\$ 78,914	\$ 142,555	\$ 6,267,704
Payments to Suppliers	(263,425)	(1,668,179)	(9,211)	(62,406)	(2,003,221)
Payments to Employees	-	(3,860,575)	-	-	(3,860,575)
Net Cash Provided (Used) by Operating Activities	64,734	189,322	69,703	80,149	403,908
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Operating Transfers In	-	-	5,800	11,822	17,622
Operating Transfers Out	-	-	(5,516)	-	(5,516)
Cash Provided (Used) by Non-Capital Financing Activities	-	-	284	11,822	12,106
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Prior Period Adjustment	-	(215,120)	-	-	(215,120)
Acquisition of Capital Assets	-	(245,883)	-	-	(245,883)
Notes Payable Proceeds	-	-	1,000,000	-	1,000,000
Principal Payments	-	-	(1,075,000)	-	(1,075,000)
Interest Payments	-	-	(25,044)	-	(25,044)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(461,003)	(100,044)	-	(561,047)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest income	-	41,097	58,148	-	99,245
Net Cash Provided (Used in) Investing Activities	-	41,097	58,148	-	99,245
Net Increase (Decrease) in Cash and Cash Equivalents	64,734	(230,584)	28,091	91,971	(45,788)
Balances - Beginning of the Year	656,531	1,591,887	1,718,023	103,794	4,070,235
Balances - End of the Year	\$ 721,265	\$ 1,361,303	\$ 1,746,114	\$ 195,765	\$ 4,024,447
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (217,351)	\$ 415,877	\$ 217,760	\$ 80,269	\$ 496,555
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	-	178,770	-	-	178,770
Change in Assets and Liabilities:					
(Increase) Decrease in Assets:					
Accounts Receivable	-	(414,460)	-	-	(414,460)
Taxes Receivable	-	-	(145,103)	-	(145,103)
Interest Receivable	-	-	(16,982)	-	(16,982)
Notes Receivable	282,085	-	-	-	282,085
Due from Others	-	766	-	-	766
Prepaid Expenses	-	(6,268)	-	-	(6,268)
Increase (Decrease) in Liabilities:					
Accounts Payable	-	(57,300)	(687)	(120)	(58,107)
Accrued Liabilities	-	71,937	-	-	71,937
Deferred Revenue	-	-	14,715	-	14,715
Net Cash Provided by Operating Activities	\$ 64,734	\$ 189,322	\$ 69,703	\$ 80,149	\$ 403,908

See accompanying notes to financial statements.

Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2006

	<u>Agency Funds</u>
ASSETS:	
Cash & Cash Equivalents:	
Unrestricted	<u>\$ 2,924,486</u>
 TOTAL ASSETS	 <u><u>\$ 2,924,486</u></u>
 LIABILITIES:	
Due to Others	<u>\$ 2,924,486</u>
 TOTAL LIABILITIES	 <u><u>\$ 2,924,486</u></u>

Component Units

County of Benzie, Michigan

Statement of Net Assets Component Units September 30, 2006

	Road Commission	Benzie/ Leelanau District Health Dept.	Totals
ASSETS:			
Current Assets:			
Cash & Equivalents - Unrestricted	\$ 668,458	\$ 304,468	\$ 972,926
Accounts Receivable	476,542	16,822	493,364
Due from Governmental Units	-	153,589	153,589
Inventories	486,012	-	486,012
Prepaid Expenses	-	47,274	47,274
Total Current Assets	<u>1,631,012</u>	<u>522,153</u>	<u>2,153,165</u>
Noncurrent Assets:			
Capital Assets (net)	<u>5,498,083</u>	<u>30,851</u>	<u>5,528,934</u>
TOTAL ASSETS	<u><u>\$ 7,129,095</u></u>	<u><u>\$ 553,004</u></u>	<u><u>\$ 7,682,099</u></u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 1,356	\$ 27,132	\$ 28,488
Accrued Liabilities	22,179	37,628	59,807
Deferred Revenue	2,344	5,817	8,161
Advances from State	217,931	-	217,931
Installment Loans	<u>228,152</u>	<u>-</u>	<u>228,152</u>
Total Current Liabilities	<u>471,962</u>	<u>70,577</u>	<u>542,539</u>
Noncurrent Liabilities:			
Vested Employee Benefits	66,915	48,500	115,415
Installment Loans	<u>223,780</u>	<u>-</u>	<u>223,780</u>
Total Noncurrent Liabilities	<u>290,695</u>	<u>48,500</u>	<u>339,195</u>
TOTAL LIABILITIES	<u><u>762,657</u></u>	<u><u>119,077</u></u>	<u><u>881,734</u></u>
NET ASSETS:			
Invested in Capital Assets, net of related debt	5,046,151	30,851	5,077,002
Restricted for County Road	1,320,287	-	1,320,287
Unrestricted	<u>-</u>	<u>403,076</u>	<u>403,076</u>
TOTAL NET ASSETS	<u><u>\$ 6,366,438</u></u>	<u><u>\$ 433,927</u></u>	<u><u>\$ 6,800,365</u></u>

County of Benzie, Michigan

Statement of Activities Component Units Year Ended September 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Grants	Capital Grants and Contributions	Road Commission	Benzie/ Leelanau District Health Dept.	Total
Road Commission:							
Public Works	\$ 5,327,435	\$ 1,324,022	\$ 3,566,269	\$ -	\$ (437,144)	\$ -	\$ (437,144)
Benzie/Leelanau District Health Dept.							
Health & Welfare	2,249,148	668,897	946,555	-	-	(633,696)	(633,696)
Total Component Units	<u>\$ 7,576,583</u>	<u>\$ 1,992,919</u>	<u>\$ 4,512,824</u>	<u>\$ -</u>	<u>(437,144)</u>	<u>(633,696)</u>	<u>(1,070,840)</u>
General Revenues:							
County Appropriations					-	390,060	390,060
Investment Earnings					24,501	9,354	33,855
Other					51,932	239,379	291,311
Total General Revenues					<u>76,433</u>	<u>638,793</u>	<u>715,226</u>
Change in Net Assets					(360,711)	5,097	(355,614)
Net Assets - Beginning					<u>6,727,149</u>	<u>428,830</u>	<u>\$ 7,155,979</u>
Net Assets - Ending					<u>\$ 6,366,438</u>	<u>\$ 433,927</u>	<u>\$ 6,800,365</u>

See accompanying notes to financial statements.

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Benzie, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

A – Reporting Entity:

The County of Benzie, Michigan was organized in 1869 and covers an area of approximately 316 square miles with the County Seat located in Beulah, Michigan. The County operates under an elected Board of Commissioners of seven (7) members and provides services, assistance, and care to its residents. As required by U.S. generally accepted accounting principles, these basic financial statements present the County of Benzie (primary government) and its component units. The component units discussed below are included in the reporting entity because of the significance of their operational or financial relationship with the County.

Component Units:

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units

County of Benzie Building Authority – The Authority is an entity legally separate from the County. The Authority is governed by a board, appointed by the Commission and is reported as if it were part of the County's operations because its primary purpose is the procurement and management of debt financing for the County.

County of Benzie Economic Development Corporation – The Corporation is a legally separate non-profit corporation whose primary purpose is to promote economic development in the County of Benzie. The board of the Economic Development Corporation is appointed by the Board of Commissioners. The Corporation's annual budget is subject to the approval of the Board of Commissioners and is financially accountable to the County.

County of Benzie Medical Care Facility – The Medical Care Facility is governed by a board appointed entirely by the County Board of Commissioners. The facility provides long-term care services primarily to the residents of County of Benzie.

Discretely Presented Component Units

The component units column in the government-wide financial statements include the financial data of the other component units of the County. The following is a summary of the component units:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

County of Benzie Road Commission – The members of the governing board of the Road Commission are appointed by the County Commission. Although the County does not have the authority to approve or modify the Road Commission's operational and capital budgets, bonded debt must be approved by the County Commission. Complete financial statements of the individual component unit can be obtained from the following:

Benzie County Road Commission
11318 Main Street
Honor, Michigan 49640

Benzie – Leelanau Public Health Department – The members of the governing body of the Health Department are jointly appointed by the Benzie and Leelanau County Commissions. The Health Department's operational and capital budgets are not subject to approval or modification by any governmental entity, and it establishes fees for various services and other activities.

Complete financial statements of the individual component unit can be obtained from the following:

Benzie – Leelanau Health Department
6051 Frankfort Hwy, Suite 100
Benzonia, Michigan 49616

Jointly Governed Organization

City – County Airport – The City-County Airport Authority, an entity legally separate from the County, is governed by a five-member board. Two members are appointed from the County; two members are appointed from the City of Frankfort; and the fifth member is appointed by the four members of the County and City.

For financial reporting purposes, the Authority is reported as a separate unit because the Authority can legally issue debt (although it has a letter of understanding with the City of Frankfort that no debt will be issued); levy tax revenue if desired; and adopt and amend its own budget. In the event of the Authority being dissolved, it will be reverted to the City of Frankfort. The Authority operates on a June 30 year end.

Related Organization

Manistee – Benzie Mental Health – The Manistee – Benzie Mental Health is governed by a board whose voting majority is appointed by the Manistee County Board of Commissioners.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**B – Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Taxes Receivable – Current or Property Taxes**

The County of Benzie property tax is levied on each December 1st and July 1st on the taxable valuation of property (as defined by State statutes) located in the County of Benzie as of the preceding December 31st.

Although the County of Benzie 2005 ad valorem tax is levied and collectible on December 1, 2005, and 2006 ad valorem tax is levied and collectible on July 1, 2006, it is the County of Benzie's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

The 2005 taxable valuation of the County of Benzie totaled \$866,040,018, on which ad valorem taxes levied consisted of 2.442 mills for the County operating, .9318 mills for Medical Care Facility Operating, .6148 mills for Commission on Aging, 1.2956 mills for Jail Debt and Operations, .0951 mills for Animal Control, .6101 mills for Ambulance Millage, and .0250 mills for Soldier Relief, raising \$2,114,870 for operating, \$806,976 for Medical Care Facility Operating, \$532,441 for Commission on Aging, \$1,122,041 for Jail Debt and Operations, \$82,360 for Animal Control, \$528,371 for Ambulance Millage, and \$21,651 for Soldier Relief. These amounts are recognized in the respective General, Special Revenue, and Debt Service Fund financial statements as tax revenue.

The July 1, 2006 taxable valuation of County of Benzie totaled \$937,396,050, on which ad valorem taxes levied consisted of 2.3845 mills for the General Fund, this amount is recognized in the General Fund financial statements as revenue.

The County also raised \$1,004,057 for the Revenue Sharing Reserve. This money equals 1/3 of the County's operating levy in 2004. The 1/3 is taken from the 2005 winter collection.

All other revenue items are considered to be available only when cash is received by the government.

The County reports the following major governmental funds:

General Fund

This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Jail Operation Fund

This fund accounts for the operation of the jail.

Advanced Life Support (ALS) Fund

This fund accounts for advanced life support services provided to the citizens of Benzie County.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Sharing Fund

This fund accounts for tax monies set aside to replace the revenue sharing monies from the State of Michigan.

Jail Millage Fund

This fund accounts for the collection of the jail millage.

The County reports the following major proprietary funds:

Building Authority Fund

This fund accounts for the renovation and construction of County buildings.

Medical Care Facility

This fund accounts for the long-term care services provided to the residents of Benzie County.

Economic Development Fund

This fund accounts for activities that create and expand business within Benzie County.

Delinquent Tax Fund

This fund accounts for the collection of delinquent taxes.

Additionally, the County reports the following fund types:

Special Revenue Funds

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects).

Debt Service Funds

The debt service fund accounts for the servicing of general long-term debt not financed by proprietary or permanent trust funds.

Capital Project Fund

The capital project fund is used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Agency Funds**

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st and July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years
Infrastructure – Roads	8 to 20 years
Infrastructure – Bridges	12 to 30 years

Vested Benefits Payable – County General Employees - The County's employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service.

The annual vacation benefits earned by each employee during the current year are credited to the employee at year end. Employees are required to use their vacation benefits within one year, except under special circumstances where, with the approval of the department head, some carry-over may be authorized.

The County's employment policies provide for sick leave benefits to be earned at the rate of 64 hours applied on January 1st. of each year. Payment for sick time upon separation of employment is disbursed according to the separate union contracts covering sheriff department employee's and the government center union employee's. The nonunion personnel are paid half of their accumulated sick time.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the representative grants.

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each September, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing October 1 and lapses on September 30. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

- c. Prior to October 1, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the County's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Cash Equivalents - Unrestricted	\$ 3,819,369	\$ 3,572,442	\$ 7,391,811	\$ 2,924,486	\$ 972,926
Cash and Cash Equivalents – Restricted	-	452,005	452,005	-	-
Total	<u>\$ 3,819,369</u>	<u>\$ 4,024,447</u>	<u>\$ 7,843,816</u>	<u>\$ 2,924,486</u>	<u>\$ 972,926</u>

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 7,840,726	\$ 2,924,486	\$ 971,861
Petty Cash and Cash on Hand	<u>3,090</u>	<u>-</u>	<u>1,065</u>
Total	<u>\$ 7,843,816</u>	<u>\$ 2,924,486</u>	<u>\$ 972,926</u>

Cash has been restricted in the Benzie MCF for equipment replacement and building improvements.

Interest rate risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices.

Custodial credit risk. Investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or securities that are in the possession of an outside party.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$10,543,699 of the County's bank balance of \$11,600,820 was exposed to credit risk because it was uninsured and uncollateralized. \$0 was uninsured and collateralized by the pledging financial institution.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The County's deposits and investment policy are in accordance with statutory authority.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the County and specific funds. They are recorded in County records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 5,938,300	\$ -	\$ 16,667	\$ 5,921,633
Construction in progress	<u>206,744</u>	<u>391,847</u>	<u>206,744</u>	<u>391,847</u>
Subtotal	<u>6,145,044</u>	<u>391,847</u>	<u>223,411</u>	<u>6,313,480</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Capital assets being depreciated:</i>				
Buildings	5,632,956	493,833	-	6,126,789
Machinery and equipment	<u>2,046,110</u>	<u>102,177</u>	<u>243,253</u>	<u>1,905,034</u>
Subtotal	<u>7,679,066</u>	<u>596,010</u>	<u>243,253</u>	<u>8,031,823</u>
<i>Less accumulated depreciation for:</i>				
Buildings	1,779,738	141,853	-	1,921,591
Machinery and equipment	<u>1,090,504</u>	<u>257,404</u>	<u>222,121</u>	<u>1,125,787</u>
Subtotal	<u>2,870,242</u>	<u>399,257</u>	<u>222,121</u>	<u>3,047,378</u>
Net Capital Assets Being Depreciated	<u>4,808,824</u>	<u>196,753</u>	<u>21,132</u>	<u>4,984,445</u>
Governmental Activities Capital Assets – Net of Depreciation	<u>\$ 10,953,868</u>	<u>\$ 588,600</u>	<u>\$ 244,543</u>	<u>\$ 11,297,925</u>
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 12,424	\$ -	\$ -	\$ 12,424
Construction in progress	<u>93,416</u>	<u>186,788</u>	<u>217,220</u>	<u>62,984</u>
Subtotal	<u>105,840</u>	<u>186,788</u>	<u>217,220</u>	<u>75,408</u>
<i>Capital assets being depreciated:</i>				
Land and improvements	93,176	-	-	93,176
Buildings and improvements	3,291,048	239,558	1,310	3,529,296
Equipment	<u>1,250,468</u>	<u>39,953</u>	<u>20,225</u>	<u>1,270,196</u>
Subtotal	<u>4,634,692</u>	<u>279,511</u>	<u>21,535</u>	<u>4,892,668</u>
<i>Less accumulated depreciation for:</i>				
Land and improvements	76,302	2,084	-	78,386
Buildings and improvements	1,411,802	117,891	1,259	1,528,434
Equipment	<u>984,186</u>	<u>58,795</u>	<u>17,080</u>	<u>1,025,901</u>
Subtotal	<u>2,472,290</u>	<u>178,770</u>	<u>18,339</u>	<u>2,632,721</u>
Net Capital Assets Being Depreciated	<u>2,162,402</u>	<u>100,741</u>	<u>3,196</u>	<u>2,259,947</u>
Business-type Activities Capital Assets - Net of Depreciation	<u>\$ 2,268,242</u>	<u>\$ 287,529</u>	<u>\$ 220,416</u>	<u>\$ 2,335,355</u>

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 81,986
Public Safety	221,888
Health and Welfare	<u>95,383</u>
Total Governmental Activities	<u>\$ 399,257</u>

Capital asset activity of the Benzie County Road Commission for the current year was as follows:

	<u>Beginning Balances 10/01/05</u>	<u>Additions</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balances 09/30/06</u>
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 12,708	\$ -	\$ -	\$ 12,708
Land Improvements	<u>2,128,176</u>	<u>349,357</u>	<u>1,488,897</u>	<u>988,636</u>
Subtotal	<u>2,140,884</u>	<u>349,357</u>	<u>1,488,897</u>	<u>1,001,344</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	993,839	37,931	32,295	999,475
Road Equipment	4,089,625	579,197	314,598	4,354,224
Shop Equipment	41,435	6,784	-	48,219
Office Equipment	45,489	968	1,728	44,729
Engineer's Equipment	34,635	6,678	1,677	39,636
Yard and Storage	182,790	78,901	-	261,691
Infrastructure	<u>2,567,349</u>	<u>1,221,474</u>	<u>584,700</u>	<u>3,204,123</u>
Subtotal	<u>7,955,162</u>	<u>1,931,933</u>	<u>934,998</u>	<u>8,952,097</u>
<i>Less Accumulated Depreciation</i>				
Buildings	503,067	68,319	32,295	539,091
Road Equipment	3,301,886	437,054	318,803	3,420,137
Shop Equipment	32,100	5,623	-	37,723
Office Equipment	40,049	2,663	(565)	43,277
Engineer's Equipment	26,062	6,220	1,678	30,604
Yard and Storage	91,903	16,169	-	108,072
Infrastructure	<u>255,902</u>	<u>125,559</u>	<u>105,007</u>	<u>276,454</u>
Subtotal	<u>4,250,969</u>	<u>661,607</u>	<u>457,218</u>	<u>4,455,358</u>
Net Capital Assets Being Depreciated	<u>3,704,193</u>	<u>1,270,326</u>	<u>477,780</u>	<u>4,496,739</u>
Total Net Capital Assets	<u>\$ 5,845,077</u>	<u>\$ 1,619,683</u>	<u>\$ 1,966,677</u>	<u>\$ 5,498,083</u>

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to operations as follows:

Primary	\$	85,317
Local		40,242
Equipment		437,054
Administration		8,883
Other		<u>90,111</u>
Total	\$	<u>661,607</u>

BENZIE/LEELANAU DISTRICT HEALTH DEPARTMENT

Capital asset activity of the Benzie/Leelanau District Health Department for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Assets being depreciated:</i>				
Other capital assets:				
Equipment & furniture	\$ <u>38,684</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>38,684</u>
Subtotal	<u>38,684</u>	<u>-</u>	<u>-</u>	<u>38,684</u>
<i>Accumulated depreciation:</i>				
Equipment & furniture	<u>(4,390)</u>	<u>(3,443)</u>	<u>-</u>	<u>(7,833)</u>
Subtotal	<u>(4,390)</u>	<u>(3,443)</u>	<u>-</u>	<u>(7,833)</u>
Net Capital Assets	\$ <u>34,294</u>	\$ <u>(3,443)</u>	\$ <u>-</u>	\$ <u>30,851</u>

Depreciation expense was charged to:

Health and Welfare	\$ <u>3,443</u>
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NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The County reports interfund balances between some of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivable and Payable are as follows:

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

		DUE TO OTHER FUNDS			
DUE FROM OTHER FUNDS		Advanced Life Support	Revenue Sharing	Delinquent Tax	Totals
	Advanced Life Support	\$ -	\$ 118,229	\$ -	\$ 118,229
	Nonmajor Funds	<u>12,726</u>	<u>-</u>	<u>200,000</u>	<u>212,726</u>
	Total	<u>\$ 12,726</u>	<u>\$ 118,229</u>	<u>\$ 200,000</u>	<u>\$ 330,955</u>

Interfund Transfers

		TRANSFERS (OUT)							
		General Fund	Jail Operations	Advanced Life Support	Jail Millage	Revenue Sharing Reserve	Nonmajor Government	Delinquent Tax Revolving	Total
TRANSFERS IN	General Fund	\$ -	\$ -	\$ -	\$ -	\$ 283,006	\$ 7,040	\$ -	\$ 290,046
	Jail Operations	452,862	-	-	716,251	-	-	-	1,169,113
	Delinquent Tax Revolving	-	-	5,800	-	-	-	-	5,800
	Nonmajor Government	142,502	-	56,798	406,857	-	-	-	606,157
	Nonmajor Enterprise	-	6,306	-	-	-	-	5,516	11,822
	Advanced Life Support	-	-	-	-	-	421,244	-	421,244
	Building Authority	700,000	-	-	-	-	-	-	700,000
	Total	\$ 1,295,364	\$ 6,306	\$ 62,598	\$ 1,123,108	\$ 283,006	\$ 428,284	\$ 5,516	\$ 3,204,182

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - LEASES

Capital Leases – The County leases vehicles and telephone equipment under capital leases with yearly lease payments ranging from \$2,600 to \$18,914, including interest rates ranging from 16.72% to 5.00%. The leases qualify as capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present values are as follows:

2007	\$ 40,792
2008	<u>17,561</u>
Total minimum lease payments	58,353
Less amount representing interest	<u>(4,217)</u>
Present value of minimum lease payment	<u>\$ 54,136</u>

NOTE 7 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual obligation activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
General Obligation Bonds							
1990 Building Authority Bonds	5.25%	2009	\$ 635,000	\$ -	\$ -	\$ 635,000	\$ -
1997 Building Authority Bonds	4.375-4.40%*	2007	630,000	-	295,000	335,000	335,000
1998 Building Authority Bonds	3.60-4.95%	2018	915,000	-	50,000	865,000	50,000
Capital Improvement Bonds	2.5-3.5%	2010	<u>520,000</u>	<u>-</u>	<u>90,000</u>	<u>430,000</u>	<u>95,000</u>
Total Governmental Activities			<u>\$ 2,700,000</u>	<u>\$ -</u>	<u>\$ 435,000</u>	<u>\$ 2,265,000</u>	<u>\$ 480,000</u>

NOTE 7 - LONG-TERM DEBT (Continued)

	Interest Rate	Principal Matures	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-Type Activities:							
General Obligation Bonds							
2005 Tax Notes Series	Variable**	2007	\$ 750,000	\$ -	\$ 750,000	\$ -	\$ -
2006 Tax Notes Series	Variable**	2009	-	1,000,000	325,000	675,000	675,000
Total Business-Type Activities			<u>\$ 750,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,075,000</u>	<u>\$ 675,000</u>	<u>\$ 675,000</u>

* 1997 Building Authority general obligation bonds represent a legal partial defeasance of the 1990 Building Authority general obligation bonds.

**Interest payments vary according to payment dates and interest rates.

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 480,000	\$ 102,683
2008	460,000	82,945
2009	515,000	61,370
2010	195,000	37,005
2011	75,000	29,467
2012-2016	375,000	95,213
2017-2021	<u>165,000</u>	<u>12,622</u>
Total	<u>\$ 2,265,000</u>	<u>\$ 421,305</u>

A summary of vested benefits payable at September 30, 2006 is as follows:

Vacation	\$ 126,836
Sick Leave	<u>71,127</u>
TOTALS	<u>\$ 197,963</u>

The following is a summary of pertinent information concerning the Benzie County Road Commission's long-term debt.

	Beginning Balance	Increases	Decreases	Ending Balance	Within One Year
Installment payable to bank, 4.59% interest rate, payable in monthly installments of \$13,819, secured by equipment.	\$ -	\$ 463,912	\$ 110,066	\$ 353,846	\$ 152,780

NOTE 7 - LONG-TERM DEBT (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Within One Year</u>
Installment payable to Bank, 3.85% interest rate, payable in monthly installments of \$5,972, secured by equipment.	58,705	-	58,705	-	-
Installment payable to Finance Company, 3.5% interest rate, payable in monthly installments of \$6,475, secured by equipment.	173,869	-	75,783	98,086	75,372
Vested Employee Benefits	<u>94,995</u>	<u>-</u>	<u>28,080</u>	<u>66,915</u>	<u>-</u>
TOTAL	<u>\$ 327,569</u>	<u>\$ 463,912</u>	<u>\$ 272,634</u>	<u>\$ 518,847</u>	<u>\$ 228,152</u>

Annual debt service requirements:

Installments payable:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Total</u>
Principal	<u>\$ 228,152</u>	<u>\$ 185,637</u>	<u>\$ 38,143</u>	<u>\$ 451,932</u>

NOTE 8 - RISK MANAGEMENT

Risk Management – The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The County joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The government is unable to provide an estimate of the amounts of additional assessments.

NOTE 9 - CONTINGENT LIABILITIES

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at September 30, 2006.

Cost Settlement – Medical Care Facility services rendered to various insurance program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a client classification system that is based on clinical, diagnostic, and other factors. Certain health services and defined capital costs are paid based on a cost reimbursement methodology. The facility reports such activity through the submission of its annual cost reports which are subject to audit by the fiscal intermediary. The facility's classification of clients under the program and the appropriateness of their admission are subject to an independent review by a peer review organization.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMSDescription of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2005.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Annual Pension Cost

During the year ended September 30, 2006, the County's contributions totaling \$387,274 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2002. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31 follows:

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial Value of Assets	\$ 5,128,385	\$ 5,622,450	\$ 6,037,298
Actuarial Accrued Liability	6,211,553	7,346,552	7,722,034
Unfunded AAL	1,083,168	1,724,102	1,684,736
Funded Ratio	83%	77%	78%
Covered Payroll	2,527,455	2,500,259	2,543,286
UAAL as a Percentage of Covered Payroll	43%	69%	66%

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 230,884	100%	0
2004	273,258	100%	0
2005	387,274	100%	0

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)***BENZIE COUNTY ROAD COMMISSION***Description of Plan and Plan Assets

The Road Commission has an agent, single-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final compensation (FAC), with a maximum benefit of 80% FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2005.

Description of Plan and Plan Assets

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which require employees to contribute based on gross wages by County Road Commission only.

Annual Pension Cost

For year ended September 30, 2006, the Benzie County Road Commission's pension cost of \$238,588 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2002, using the age normal cost method. Significant actuarial assumptions used include: (i) a 8 % investment rate of return; (ii) projected salary increases of 4.5 percent per year. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Three year trend information as of December 31 follows:

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial Value of Assets	\$ 2,505,519	\$ 2,688,848	\$ 2,830,180
Actuarial Accrued Liability	4,830,963	5,371,854	5,809,295
Unfunded AAL	2,325,444	2,683,006	2,979,115
Funded Ratio	52%	50%	49%
Covered Payroll	1,179,287	1,227,814	1,133,807
UAAL as a Percentage of Covered Payroll	197%	219%	263%

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 113,921	100%	0
2004	133,921	100%	0
2005	218,729	100%	0

BENZIE MCF (MAPLES)

Pension Plan

The Benzie County Medical Care Facility contributes to the Michigan Municipal Employees Retirement System, an agent multiple employer public employee retirement system that acts as a common investment and administrative agent for units of local government in Michigan. The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. All full-time employees become a member of the System on the first day of employment, and are completely vested after 10 years of service. Service retirement allowances are based upon 1.5 percent of the member's 5-year final average compensation. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2005.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)Funding Policy

The obligation to contribute to and maintain the system for these employees was established by policy, which requires employees to contribute to the plan. The Medical Care Facility is required to contribute at an actuarially determined rate.

Annual Pension Cost

During the year ended September 30, 2006, the Medical Care Facility contributions totaling \$142,956 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2002. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level of percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level of percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the members retirement to pay for this projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31 follows:

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial Value of Assets	\$ 3,664,439	\$ 4,060,995	\$ 4,425,632
Actuarial Accrued Liability	3,917,916	4,164,015	4,299,070
Unfunded AAL	253,477	103,020	(126,562)
Funded Ratio	94%	98%	103%
Covered Payroll	2,566,800	2,691,102	2,373,226
UAAL as a Percentage of Covered Payroll	10%	4%	0%

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 107,465	100%	0
2004	160,414	100%	0
2005	156,850	100%	0

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

BENZIE/LEELANAU DISTRICT HEALTH DEPARTMENT

Plan Description - Benzie/Leelanau District Health Department of Benzie/Leelanau Counties, Michigan participates in an agent multiple-employer public employee pension plan which covers four employees. Employees are covered under a B-3, F-55 plan. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: 1134 Municipal Way, Lansing, Michigan.

Funding Policy

The obligation to contribute and maintain the system for these employees was established by the personnel policy, currently no employee contribution is required.

Annual Pension Costs

For year ended 2006, the Health Department's annual pension cost of \$25,837 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2002, using the age normal cost method. Significant actuarial assumptions used include: (i) a 8% investment rate of return; (ii) projected salary increases of 4.5 percent per year. Additional projected salary increases of up to 2.5% per year annually after retirement for persons under certain benefit packages. The actuarial value of assets determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, 2005 is as follows:

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial Value of Assets	\$ 216,002	\$ 248,243	\$ 282,464
Actuarial Accrued Liability	267,400	302,388	349,112
Unfunded AAL	51,398	54,145	66,648
Funded Ratio	81%	82%	81%
Covered Payroll	169,068	173,624	183,187
UAAL as a Percentage of Covered Payroll	30%	31%	36%

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 21,586	100%	0
2004	29,438	100%	0
2005	24,242	100%	0

NOTE 11 - DEFINED CONTRIBUTION (MONEY PURCHASE) PENSION PLAN

The Benzie/Leelanau District Health Department contributes to a defined contribution retirement plan administered by the Board of Health with the International City Management Association Retirement Corporation (ICMA), acting as an investment fiduciary.

The Department contributed \$78,702 and employees contributed \$15,740 to the plan during the year ended September 30, 2006 equal to 10% and 2% respectively of covered payroll.

The Michigan Family Independence Agency, in order to provide continuing access to long-term care services for Medicaid recipients, modified its reimbursement system to participate in a "proportionate share" pool to qualified long-term care providers.

Under such a plan the system maximizes the federal Medicaid matching revenues through the intergovernmental transfer program. The Benzie County Medical Care Facility participates in this program to the extent of its share of Medicaid utilization in relation to the total for Class III facilities that are governmentally owned.

NOTE 12 - LEASES

Building Lease

The County entered into a 20 year lease contract with the Department of Human Services on November 1, 1999 for the rental of office space within the County Building. Under the agreement, the Department of Human Services promises to pay monthly cash rental payments to the County as follows:

2007	\$	120,337
2008		120,337
2009		120,337
2010		123,947
2011		123,947
2012-2016		619,735
2017-2019		<u>390,433</u>
Total	\$	<u>1,619,073</u>

NOTE 13 - FUND EQUITY DESIGNATIONS/RESERVATIONS:

Fund equity designations can be described as follows:

General Fund	\$	587,597	Designated for Capital Improvement
Debt Service		463,793	Designated for Debt Service
Special Revenue		1,752,842	Designated for Fund Purpose
Capital Project		130,767	Designated for Capital Projects

Fund equity reservations are described as follows:

Special Revenue	\$	1,431,986	Reserved for Fund Purpose
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NOTE 14 - PRIOR PERIOD ADJUSTMENTS:

During fiscal year 2005 \$206,744 in expenditures for Lighthouse restorations were not capitalized as capital asset additions. Net assets of Governmental Activities will be increased as follows:

Beginning Net Assets October 1, 2005	\$ 11,455,738
Adjustments for Lighthouse restorations	<u>206,744</u>
Restated Net Assets October 1, 2005	<u>\$ 11,662,482</u>

During fiscal 2006 the Medical Care Facility was informed that the Holtrey Endowment funds, which the facility included in its cash, actually was under the fiduciary control of another entity. The cash and related net assets were removed in 2006 causing the following decrease in business-type net assets.

Beginning Net Assets October 1, 2005	\$ 7,030,025
Adjustments for Holtrey Endowment	<u>(215,120)</u>
Restated Net Assets October 1, 2005	<u>\$ 6,814,905</u>

NOTE 15 - NET ASSET – RESTRICTIONS:

Net asset restrictions can be described as follows:

\$ 1,431,986	Restricted for the revenue sharing reserve
\$ 1,320,287	Restricted for roads

Required Supplementary Information

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 3,247,317	\$ 3,251,188	\$ 3,432,152	\$ 180,964
Licenses & Permits	50,794	42,794	41,122	(1,672)
Federal Sources	77,628	77,628	68,031	(9,597)
State Sources	309,035	328,397	303,331	(25,066)
Charges for Services	859,755	892,655	886,421	(6,234)
Refunds & Reimbursements	191,350	146,525	115,707	(30,818)
Interest & Rentals	60,000	60,000	80,906	20,906
TOTAL REVENUES	4,795,879	4,799,187	4,927,670	128,483
EXPENDITURES:				
Legislative:				
Board of Commissioners	87,897	87,897	78,835	9,062
Judicial:				
Circuit Court	254,741	278,442	259,589	18,853
District Court	166,668	174,068	168,573	5,495
Friend of the Court	68,069	92,734	95,732	(2,998)
Juvenile Division	57,637	56,937	50,209	6,728
Law Library	1,500	1,500	1,839	(339)
Probate Court	100,093	98,693	96,842	1,851
Total Judicial	648,708	702,374	672,784	29,590
General Government:				
County Administrator	96,563	104,058	102,110	1,948
Elections	55,500	15,100	14,536	564
County Clerk	139,579	171,856	169,509	2,347
Equalization	131,742	132,592	129,893	2,699
Prosecuting Attorney	149,458	152,414	150,249	2,165
Register of Deeds	128,368	137,741	136,326	1,415
Treasurer	157,470	142,359	136,103	6,256
Cooperative Extension	60,692	61,861	60,748	1,113
Legal & Contracted Services	87,700	125,000	120,244	4,756
Central Services	53,000	53,000	50,417	2,583
Buildings & Grounds	259,953	313,564	311,589	1,975
Drain Commission	9,000	7,650	7,581	69
Technology Support	25,240	31,240	28,364	2,876
Plat Board	250	250	105	145
Surveyor	700	700	700	-
Total General Government	1,355,215	1,449,385	1,418,474	30,911

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff	525,214	575,232	565,570	9,662
Zoning Department	24,934	16,994	14,726	2,268
Sheriff Secondary Road Patrol	58,454	58,454	49,586	8,868
Zero Tolerance	39,512	39,512	35,084	4,428
Planning Department	85,809	93,749	92,283	1,466
Civil Preparedness	19,080	19,080	18,035	1,045
Total Public Safety	753,003	803,021	775,284	27,737
Health & Welfare:				
Health Department	179,660	180,089	178,905	1,184
Medical Examiner	16,450	16,450	12,585	3,865
Mental Health Board	114,273	114,273	114,273	-
Social Welfare	10,000	10,000	10,000	-
Council on Aging	-	150,000	150,000	-
County EDC	52,663	53,989	53,239	750
Total Health & Welfare	373,046	524,801	519,002	5,799
Recreation and Culture				
Parks & Recreation	2,050	2,050	99	1,951
Library Board	250	250	140	110
Total Recreation and Culture	2,300	2,300	239	2,061
Capital Outlay	-	49,488	49,488	-
Other Expenditures:				
Medical Insurance	594,465	620,465	610,634	9,831
Unemployment Insurance	10,000	6,700	6,699	1
Worker's Comp Insurance	24,431	40,431	40,354	77
Insurance & Bonds	124,908	124,908	121,588	3,320
Social Security	125,991	138,230	138,161	69
Retirement Benefits	203,533	212,533	212,107	426
Other Miscellaneous	1,000	2,000	1,875	125
Total Other Expenditures	1,084,328	1,145,267	1,131,418	13,849
TOTAL EXPENDITURES	4,304,497	4,764,533	4,645,524	119,009
EXCESS OF REVENUES OVER EXPENDITURES	491,382	34,654	282,146	247,492
OTHER FINANCING SOURCES (USES):				
Lease Proceeds	-	49,488	49,488	-
Operating Transfers In	282,732	290,046	290,046	-
Operating Transfers Out	(774,114)	(1,314,108)	(1,295,364)	18,744
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ (939,920)	(673,684)	\$ 266,236
FUND BALANCE, OCTOBER 1			1,389,986	
FUND BALANCE, SEPTEMBER 30			\$ 716,302	

Required Supplementary Information
Budgetary Comparison Schedule
Jail Operations Fund
Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ 2,750	\$ 2,750	\$ 1,643	\$ (1,107)
Charges for Services	224,650	219,650	206,396	(13,254)
Other Revenue	300	2,000	1,986	(14)
TOTAL REVENUES	227,700	224,400	210,025	(14,375)
EXPENDITURES:				
Public Safety	1,362,789	1,387,079	1,357,302	29,777
TOTAL EXPENDITURES	1,362,789	1,387,079	1,357,302	29,777
EXCESS OF REVENUES (EXPENDITURES)	(1,135,089)	(1,162,679)	(1,147,277)	15,402
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	1,166,251	1,169,113	1,169,113	-
Operating Transfers Out	(31,162)	(6,434)	(6,306)	128
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	15,530	\$ 15,530
FUND BALANCE, OCTOBER 1			249,623	
FUND BALANCE, SEPTEMBER 30			\$ 265,153	

Required Supplementary Information
Budgetary Comparison Schedule
Advanced Life Support Fund
Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Charges for Services	\$ 500,500	\$ 500,500	\$ 373,515	\$ (126,985)
Refunds & Reimbursements	-	-	191	191
TOTAL REVENUES	500,500	500,500	373,706	(126,794)
EXPENDITURES:				
Health & Welfare	684,220	809,115	812,117	(3,002)
TOTAL EXPENDITURES	684,220	809,115	812,117	(3,002)
EXCESS OF REVENUES (EXPENDITURES)	(183,720)	(308,615)	(438,411)	(129,796)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	424,720	424,720	421,244	(3,476)
Operating Transfers Out	(241,000)	(116,105)	(62,598)	53,507
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	(79,765)	\$ (79,765)
FUND BALANCE, OCTOBER 1			79,765	
FUND BALANCE, SEPTEMBER 30			\$ -	

Required Supplementary Information
Budgetary Comparison Schedule
Revenue Sharing Reserve Fund
Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,004,059	\$ 1,004,059	\$ 1,004,059	\$ -
Interest & Rentals	3,000	3,274	34,265	30,991
TOTAL REVENUES	1,007,059	1,007,333	1,038,324	30,991
EXPENDITURES:				
Other Expenditures	282,732	-	-	-
TOTAL EXPENDITURES	282,732	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	724,327	1,007,333	1,038,324	30,991
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	-	(283,006)	(283,006)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 724,327</u>	<u>\$ 724,327</u>	755,318	<u>\$ 30,991</u>
FUND BALANCE, OCTOBER 1			676,668	
FUND BALANCE, SEPTEMBER 30			<u>\$ 1,431,986</u>	

Required Supplementary Information
 Budgetary Comparison Schedule
 Jail Millage Fund
 Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,127,956	\$ 1,127,956	\$ 1,126,554	\$ (1,402)
Interest & Rentals	2,000	2,000	3,357	1,357
TOTAL REVENUES	1,129,956	1,129,956	1,129,911	(45)
EXPENDITURES:				
Public Safety	6,847	6,847	761	6,086
TOTAL EXPENDITURES	6,847	6,847	761	6,086
EXCESS OF REVENUES OVER EXPENDITURES	1,123,109	1,123,109	1,129,150	6,041
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(1,123,109)	(1,123,109)	(1,123,108)	1
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	6,042	\$ 6,042
FUND BALANCE, OCTOBER 1			11,585	
FUND BALANCE, SEPTEMBER 30			\$ 17,627	

Required Supplementary Information
Budgetary Comparison Schedule
Building Authority Fund
Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ -	\$ -	\$ -	\$ -
Other Revenue	-	-	-	-
TOTAL REVENUES	-	-	-	-
EXPENDITURES:				
Capital Outlay	2,500	702,500	435,238	267,262
TOTAL EXPENDITURES	2,500	702,500	435,238	267,262
EXCESS OF REVENUES OVER EXPENDITURES	(2,500)	(702,500)	(435,238)	267,262
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	2,500	702,500	700,000	(2,500)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	264,762	\$ 264,762
FUND BALANCE, OCTOBER 1			367	
FUND BALANCE, SEPTEMBER 30			\$ 265,129	

Other Supplemental Information

County of Benzie, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2006

	Special Revenue Funds								
	Sheriff's K-9	Benzie Co. Sheriff Reserve's	Benzie Co. Dive Team	School Resource Officer	Benzie Co. Ambulance	Benzie Co. DARE	Benzie Co. Kids	Friend of the Court	FOC Access/Visitation Grant
ASSETS:									
Cash & Equivalents - Unrestricted	\$ 1,136	\$ 5,671	\$ 271	\$ 13,392	\$ 124	\$ 2,946	\$ 32,270	\$ 23,146	\$ 9,262
Receivables:									
Accounts	-	-	-	-	35,880	-	-	-	-
Prepaid Expenses	-	-	-	-	1,155	-	-	-	-
Due from Governmental Units	-	-	-	-	699	-	-	-	-
TOTAL ASSETS	<u>\$ 1,136</u>	<u>\$ 5,671</u>	<u>\$ 271</u>	<u>\$ 13,392</u>	<u>\$ 37,858</u>	<u>\$ 2,946</u>	<u>\$ 32,270</u>	<u>\$ 23,146</u>	<u>\$ 9,262</u>
LIABILITIES:									
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ 12,726	\$ -	\$ -	\$ -	\$ -
Accounts Payable	69	20	-	10	-	-	-	-	-
Accrued Liabilities	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>69</u>	<u>20</u>	<u>-</u>	<u>10</u>	<u>12,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:									
Unreserved:									
Designated	1,067	5,651	271	13,382	25,132	2,946	32,270	23,146	9,262
TOTAL FUND BALANCES	<u>1,067</u>	<u>5,651</u>	<u>271</u>	<u>13,382</u>	<u>25,132</u>	<u>2,946</u>	<u>32,270</u>	<u>23,146</u>	<u>9,262</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,136</u>	<u>\$ 5,671</u>	<u>\$ 271</u>	<u>\$ 13,392</u>	<u>\$ 37,858</u>	<u>\$ 2,946</u>	<u>\$ 32,270</u>	<u>\$ 23,146</u>	<u>\$ 9,262</u>

County of Benzie, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2006

	Special Revenue Funds								
	Marine Patrol	Solid Waste/Recycling	BVTMC	Coastal Management	Crystal Lake Rec Management	Remonument. Survey Grant	Animal Control	Building Department	Register of Deeds Automation
ASSETS:									
Cash & Equivalents - Unrestricted	\$ 2,787	\$ 52,916	\$ 22,141	\$ -	\$ 635	\$ 36,445	\$ 31,914	\$ 76,328	\$ 44,238
Receivables:	-								
Accounts	45,900	-	33,914	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-	-	230	1,385	-
Due from Governmental Units	-	-	-	-	-	-	-	-	180
TOTAL ASSETS	<u>\$ 48,687</u>	<u>\$ 52,916</u>	<u>\$ 56,055</u>	<u>\$ -</u>	<u>\$ 635</u>	<u>\$ 36,445</u>	<u>\$ 32,144</u>	<u>\$ 77,713</u>	<u>\$ 44,418</u>
LIABILITIES:									
Due to Other Funds	\$ 45,000	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	299	94	6,055	-	-	-	1,109	1,644	-
Accrued Liabilities	254	366	-	-	-	-	978	4,330	-
TOTAL LIABILITIES	<u>45,553</u>	<u>460</u>	<u>56,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,087</u>	<u>5,974</u>	<u>-</u>
FUND BALANCES:									
Unreserved:									
Designated	3,134	52,456	-	-	635	36,445	30,057	71,739	44,418
TOTAL FUND BALANCES	<u>3,134</u>	<u>52,456</u>	<u>-</u>	<u>-</u>	<u>635</u>	<u>36,445</u>	<u>30,057</u>	<u>71,739</u>	<u>44,418</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 48,687</u>	<u>\$ 52,916</u>	<u>\$ 56,055</u>	<u>\$ -</u>	<u>\$ 635</u>	<u>\$ 36,445</u>	<u>\$ 32,144</u>	<u>\$ 77,713</u>	<u>\$ 44,418</u>

County of Benzie, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2006

	Special Revenue Funds								
	Homeland Security Grants	911 Emergency Service	Dispatcher Training Grant	Local Corrections Officer Training	Sheriff Forfeiture	Benzie Criminal Justice Training	Law Library	Commission on Aging	Lighthouse
ASSETS:									
Cash & Equivalents - Unrestricted	\$ 694	\$ 19,280	\$ 6,876	\$ 8,243	\$ 3,108	\$ 2,673	\$ 7,368	\$ 65,606	\$ 38
Receivables:									
Accounts	-	-	-	907	-	2,084	-	-	-
Prepaid Expenses	-	8,082	-	-	-	-	-	-	-
Due from Governmental Units	-	52,661	-	-	-	-	-	-	111,589
TOTAL ASSETS	<u>\$ 694</u>	<u>\$ 80,023</u>	<u>\$ 6,876</u>	<u>\$ 9,150</u>	<u>\$ 3,108</u>	<u>\$ 4,757</u>	<u>\$ 7,368</u>	<u>\$ 65,606</u>	<u>\$ 111,627</u>
LIABILITIES:									
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,000
Accounts Payable	-	7,038	20	-	-	33	529	-	-
Accrued Liabilities	-	8,861	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>15,899</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>33</u>	<u>529</u>	<u>-</u>	<u>105,000</u>
FUND BALANCES:									
Unreserved:									
Designated	694	64,124	6,856	9,150	3,108	4,724	6,839	65,606	6,627
TOTAL FUND BALANCES	<u>694</u>	<u>64,124</u>	<u>6,856</u>	<u>9,150</u>	<u>3,108</u>	<u>4,724</u>	<u>6,839</u>	<u>65,606</u>	<u>6,627</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 694</u>	<u>\$ 80,023</u>	<u>\$ 6,876</u>	<u>\$ 9,150</u>	<u>\$ 3,108</u>	<u>\$ 4,757</u>	<u>\$ 7,368</u>	<u>\$ 65,606</u>	<u>\$ 111,627</u>

County of Benzie, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2006

	Special Revenue Funds				Debt Service Funds			Capital Project Funds	
	Child Care	Soldiers Relief	Veterans Trust	CDBG Housing Grant	Government Center Addition	Ambulance Debt/Millage	Jail Bond Payments	Capital Improvements	Railroad Point
ASSETS:									
Cash & Equivalents - Unrestricted	\$ 30,708	\$ 41,261	\$ 1,663	\$ 22,702	\$ 24,597	\$ 8,308	\$ 430,888	\$ 20,390	\$ 1,223
Receivables:									
Accounts	-	-	-	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-	-	-	-	-
Due from Governmental Units	7,970	-	-	26,912	-	-	-	-	-
TOTAL ASSETS	<u>\$ 38,678</u>	<u>\$ 41,261</u>	<u>\$ 1,663</u>	<u>\$ 49,614</u>	<u>\$ 24,597</u>	<u>\$ 8,308</u>	<u>\$ 430,888</u>	<u>\$ 20,390</u>	<u>\$ 1,223</u>
LIABILITIES:									
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	5,707	-	-	26,912	-	-	-	-	-
Accrued Liabilities	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>5,707</u>	<u>-</u>	<u>-</u>	<u>26,912</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:									
Unreserved:									
Designated	32,971	41,261	1,663	22,702	24,597	8,308	430,888	20,390	1,223
TOTAL FUND BALANCES	<u>32,971</u>	<u>41,261</u>	<u>1,663</u>	<u>22,702</u>	<u>24,597</u>	<u>8,308</u>	<u>430,888</u>	<u>20,390</u>	<u>1,223</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 38,678</u>	<u>\$ 41,261</u>	<u>\$ 1,663</u>	<u>\$ 49,614</u>	<u>\$ 24,597</u>	<u>\$ 8,308</u>	<u>\$ 430,888</u>	<u>\$ 20,390</u>	<u>\$ 1,223</u>

County of Benzie, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2006

	Capital Project Funds	
	Equipment Replacement	Totals
ASSETS:		
Cash & Equivalents - Unrestricted	\$ 109,154	\$ 1,160,402
Receivables:		
Accounts	-	118,685
Prepaid Expenses	-	10,852
Due from Governmental Units	-	200,011
TOTAL ASSETS	<u>\$ 109,154</u>	<u>\$ 1,489,950</u>
LIABILITIES:		
Due to Other Funds	\$ -	\$ 212,726
Accounts Payable	-	49,539
Accrued Liabilities	-	14,789
TOTAL LIABILITIES	<u>-</u>	<u>277,054</u>
FUND BALANCES:		
Unreserved:		
Designated	109,154	1,212,896
TOTAL FUND BALANCES	<u>109,154</u>	<u>1,212,896</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 109,154</u>	<u>\$ 1,489,950</u>

County of Benzie, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended September 30, 2006

	Special Revenue Funds								
	Sheriff's K-9	Benzie Co. Sheriff Reserve's	Benzie Co. Dive Team	School Resource Officer	Benzie Co. Ambulance	Benzie Co. DARE	Benzie Kids	Friend of the Court	FOC Access/ Visitation Grant
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	-	-	-	-	-
State Sources	-	-	-	-	-	-	-	-	-
Local Sources	-	-	-	28,500	-	-	15,963	-	-
Charges for Services	-	-	-	-	257,121	-	-	2,170	8,212
Refunds & Reimbursements	-	-	-	453	1,366	-	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	523	-
Contributions	-	-	422	-	-	-	-	-	-
Other Revenue	3,501	-	-	-	-	-	-	-	-
TOTAL REVENUES	3,501	-	422	28,953	258,487	-	15,963	2,693	8,212
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	513	10,794
General Government	-	-	-	-	-	-	-	-	-
Public Safety	3,535	1,072	479	34,254	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-	-
Health & Welfare	-	-	-	-	382,703	-	9,872	-	-
Recreation & Cultural	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	3,535	1,072	479	34,254	382,703	-	9,872	513	10,794
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(34)	(1,072)	(57)	(5,301)	(124,216)	-	6,091	2,180	(2,582)
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	-	-	-	-	81,798	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	(7,040)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(34)	(1,072)	(57)	(5,301)	(42,418)	-	6,091	(4,860)	(2,582)
FUND BALANCES, OCTOBER 1	1,101	6,723	328	18,683	67,550	2,946	26,179	28,006	11,844
FUND BALANCES, SEPTEMBER 30	\$ 1,067	\$ 5,651	\$ 271	\$ 13,382	\$ 25,132	\$ 2,946	\$ 32,270	\$ 23,146	\$ 9,262

County of Benzie, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended September 30, 2006

	Special Revenue Funds								
	Marine Patrol	Solid Waste/Recycling	BVTMC	Coastal Management	Crystal Lake Rec Management	Remonument. Survey Grant	Animal Control	Building Department	Register of Deeds Automation
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	24,179	-	-	-	-	-	-	-	-
State Sources	14,721	-	10,067	-	-	44,275	-	-	-
Local Sources	9,000	-	-	-	-	-	-	-	-
Charges for Services	972	129,622	-	-	-	-	92,286	347,221	36,975
Refunds & Reimbursements	-	-	-	-	-	-	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-
Other Revenue	-	-	4,869	-	-	-	1,507	-	-
TOTAL REVENUES	48,872	129,622	14,936	-	-	44,275	93,793	347,221	36,975
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-	3,597
Public Safety	45,738	-	-	-	-	-	114,638	371,986	-
Public Works	-	121,112	-	-	-	40,322	-	-	-
Health & Welfare	-	-	-	-	-	-	-	-	-
Recreation & Cultural	-	-	19,056	5,974	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	45,738	121,112	19,056	5,974	-	40,322	114,638	371,986	3,597
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,134	8,510	(4,120)	(5,974)	-	3,953	(20,845)	(24,765)	33,378
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	-	-	-	-	-	7,500	30,000	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	3,134	8,510	(4,120)	(5,974)	-	11,453	9,155	(24,765)	33,378
FUND BALANCES, OCTOBER 1	-	43,946	4,120	5,974	635	24,992	20,902	96,504	11,040
FUND BALANCES, SEPTEMBER 30	\$ 3,134	\$ 52,456	\$ -	\$ -	\$ 635	\$ 36,445	\$ 30,057	\$ 71,739	\$ 44,418

County of Benzie, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended September 30, 2006

	Special Revenue Funds								
	Homeland Security Grants	911 Emergency Service	Dispatcher Training Grant	Local Correction Officer Training	Sheriff Forfeiture	Benzie Criminal Justice Training	Law Library	Commission on Aging	Lighthouse
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 534,368	\$ -
Federal Sources	82,157	-	-	-	-	-	-	-	-
State Sources	-	-	2,621	-	-	4,041	-	-	219,150
Local Sources	728	-	-	-	-	-	-	-	-
Charges for Services	-	449,166	-	13,437	-	-	-	-	-
Refunds & Reimbursements	-	-	-	-	-	-	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	1,298	-	5,000	59,360	-
TOTAL REVENUES	82,885	449,166	2,621	13,437	1,298	4,041	5,000	593,728	219,150
EXPENDITURES:									
Judicial	-	-	-	-	-	-	15,324	-	-
General Government	-	-	-	-	-	-	-	-	-
Public Safety	82,191	461,895	3,654	4,287	-	2,462	-	-	-
Public Works	-	-	-	-	-	-	-	-	-
Health & Welfare	-	-	-	-	-	-	-	533,222	-
Recreation & Cultural	-	-	-	-	-	-	-	-	55,868
Capital Outlay	-	-	-	-	-	-	-	-	287,089
Debt Service	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	82,191	461,895	3,654	4,287	-	2,462	15,324	533,222	342,957
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	694	(12,729)	(1,033)	9,150	1,298	1,579	(10,324)	60,506	(123,807)
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	-	-	-	-	-	-	10,000	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	694	(12,729)	(1,033)	9,150	1,298	1,579	(324)	60,506	(123,807)
FUND BALANCES, OCTOBER 1	-	76,853	7,889	-	1,810	3,145	7,163	5,100	130,434
FUND BALANCES, SEPTEMBER 30	\$ 694	\$ 64,124	\$ 6,856	\$ 9,150	\$ 3,108	\$ 4,724	\$ 6,839	\$ 65,606	\$ 6,627

County of Benzie, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended September 30, 2006

	Special Revenue Funds				Debt Service Funds			Capital Project Funds	
	Child Care	Soldiers Relief	Veterans Trust	CDBG Housing Grant	Government Center Addition	Ambulance Debt/Millage	Jail Bond Payments	Capital Improvement	Railroad Point
REVENUES:									
Taxes	\$ -	\$ 21,947	\$ -	\$ -	\$ -	\$ 530,332	\$ -	\$ -	\$ -
Federal Sources	-	-	-	28,846	-	-	-	-	-
State Sources	72,091	-	397	-	-	-	-	-	-
Local Sources	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	24,731	-	-	-	-	-
Refunds & Reimbursements	8,104	-	-	-	-	-	-	-	-
Interest & Rentals	-	-	-	-	120,918	180	18,338	-	-
Contributions	-	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	80,195	21,947	397	53,577	120,918	530,512	18,338	-	-
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-	-
Health & Welfare	135,232	26,504	62	54,400	-	-	-	-	-
Recreation & Cultural	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	29,270	-
Debt Service	-	-	-	-	117,705	107,306	356,858	-	-
TOTAL EXPENDITURES	135,232	26,504	62	54,400	117,705	107,306	356,858	29,270	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(55,037)	(4,557)	335	(823)	3,213	423,206	(338,520)	(29,270)	-
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	70,000	-	-	-	-	-	406,859	-	-
Operating Transfers Out	-	-	-	-	-	(421,244)	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	14,963	(4,557)	335	(823)	3,213	1,962	68,339	(29,270)	-
FUND BALANCES, OCTOBER 1	18,008	45,818	1,328	23,525	21,384	6,346	362,549	49,660	1,223
FUND BALANCES, SEPTEMBER 30	\$ 32,971	\$ 41,261	\$ 1,663	\$ 22,702	\$ 24,597	\$ 8,308	\$ 430,888	\$ 20,390	\$ 1,223

County of Benzie, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended September 30, 2006

	Capital Projects Fund	
	Equipment Replacement	Totals
REVENUES:		
Taxes	\$ -	\$ 1,086,647
Federal Sources	-	135,182
State Sources	2,400	369,763
Local Sources	-	54,191
Charges for Services	-	1,361,913
Refunds & Reimbursements	-	9,923
Interest & Rentals	-	139,959
Contributions	-	422
Other Revenue	19,473	95,008
	<u>21,873</u>	<u>3,253,008</u>
TOTAL REVENUES		
	<u>21,873</u>	<u>3,253,008</u>
EXPENDITURES:		
Judicial	-	26,631
General Government	-	3,597
Public Safety	-	1,126,191
Public Works	-	161,434
Health & Welfare	-	1,141,995
Recreation & Cultural	-	80,898
Capital Outlay	21,180	337,539
Debt Service	-	581,869
	<u>21,180</u>	<u>3,460,154</u>
TOTAL EXPENDITURES		
	<u>21,180</u>	<u>3,460,154</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	693	(207,146)
OTHER FINANCING SOURCES (USES):		
Operating Transfers In	-	606,157
Operating Transfers Out	-	(428,284)
	<u>-</u>	<u>(428,284)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	693	(29,273)
FUND BALANCES, OCTOBER 1	108,461	1,242,169
	<u>108,461</u>	<u>1,242,169</u>
FUND BALANCES, SEPTEMBER 30	\$ 109,154	\$ 1,212,896
	<u>\$ 109,154</u>	<u>\$ 1,212,896</u>

**Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2006**

	<u>Tax Admin.</u>	<u>Tax Foreclosure</u>	<u>Sheriff Commissary</u>	<u>Totals</u>
ASSETS:				
Cash & Equivalents -Unrestricted	<u>\$ 37,731</u>	<u>\$ 152,627</u>	<u>\$ 5,407</u>	<u>\$ 195,765</u>
 TOTAL ASSETS	 <u><u>\$ 37,731</u></u>	 <u><u>\$ 152,627</u></u>	 <u><u>\$ 5,407</u></u>	 <u><u>\$ 195,765</u></u>
 NET ASSETS:				
Unrestricted	<u>\$ 37,731</u>	<u>\$ 152,627</u>	<u>\$ 5,407</u>	<u>\$ 195,765</u>
 TOTAL NET ASSETS	 <u><u>\$ 37,731</u></u>	 <u><u>\$ 152,627</u></u>	 <u><u>\$ 5,407</u></u>	 <u><u>\$ 195,765</u></u>

County of Benzie, Michigan**Combining Statement of Revenues, Expenses, and
Changes in Net Assets - Nonmajor Enterprise Funds
Year Ended September 30, 2006**

	<u>Tax Admin.</u>	<u>Tax Foreclosure</u>	<u>Sheriff Commissary</u>	<u>Totals</u>
OPERATING REVENUES:				
Charges for Services	<u>\$ -</u>	<u>\$ 118,355</u>	<u>\$ 24,200</u>	<u>\$ 142,555</u>
TOTAL OPERATING REVENUES	<u>-</u>	<u>118,355</u>	<u>24,200</u>	<u>142,555</u>
OPERATING EXPENSES:				
Other Expenses	<u>1,209</u>	<u>35,978</u>	<u>25,099</u>	<u>62,286</u>
Total Operating Expenses	<u>1,209</u>	<u>35,978</u>	<u>25,099</u>	<u>62,286</u>
OPERATING INCOME (LOSS) BEFORE TRANSFERS	<u>(1,209)</u>	<u>82,377</u>	<u>(899)</u>	<u>80,269</u>
Operating Transfers In	<u>5,516</u>	<u>-</u>	<u>6,306</u>	<u>11,822</u>
CHANGES IN NET ASSETS	<u>4,307</u>	<u>82,377</u>	<u>5,407</u>	<u>92,091</u>
NET ASSETS, OCTOBER 1	<u>33,424</u>	<u>70,250</u>	<u>-</u>	<u>103,674</u>
NET ASSETS, SEPTEMBER 30	<u>\$ 37,731</u>	<u>\$ 152,627</u>	<u>\$ 5,407</u>	<u>\$ 195,765</u>

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended September 30, 2006**

	Tax Admin	Tax Foreclosure	Sheriff Commissary	Totals
Cash Flows From Operating Activities:				
Cash Received From Customers or Users	\$ -	\$ 118,355	\$ 24,200	\$ 142,555
Cash Payments to Suppliers	(1,209)	(36,098)	(25,099)	(62,406)
Net Cash Provided (Used) by Operating Activities	(1,209)	82,257	(899)	80,149
Cash Flows From Noncapital Financing Activities:				
Operating Transfers In	5,516	-	6,306	11,822
Cash Provided (Used) by Noncapital Financing Activities	5,516	-	6,306	11,822
Net Increase (Decrease) in Cash	4,307	82,257	5,407	91,971
Cash and Cash Equivalents at Beginning of Year	33,424	70,370	-	103,794
Cash and Cash Equivalents at End of Year	<u>\$ 37,731</u>	<u>\$ 152,627</u>	<u>\$ 5,407</u>	<u>\$ 195,765</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ (1,209)	\$ 82,377	\$ (899)	\$ 80,269
Increase (Decrease) in Liabilities:				
Accounts Payable	-	(120)	-	(120)
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,209)</u>	<u>\$ 82,257</u>	<u>\$ (899)</u>	<u>\$ 80,149</u>

Reports on Compliance



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OFFICES IN
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Chairman and Members of
The Board of Commissioners
County of Benzie, Michigan
P.O. Box 398
Beulah, Michigan 49617

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Benzie, Michigan, as of and for the year ended September 30, 2006, which collectively comprise the County of Benzie Michigan's basic financial statements and have issued our report thereon, dated January 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Benzie, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Chairman and Members
of the Board of Commissioners
County of Benzie, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Benzie, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We did note certain matters that we have reported to the management of the County of Benzie, Michigan in a separate letter dated January 12, 2007.

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

January 12, 2007



ANDERSON, TACKMAN & COMPANY, PLC
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Chairman and Members of
The Board of Commissioners
County of Benzie, Michigan
P.O. Box 398
Beulah, Michigan 49617

Compliance

We have audited the compliance of the County of Benzie, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County of Benzie, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Honorable Chairman and Members
of the Board of Commissioners
County of Benzie, Michigan

Internal Control Over Compliance

The management of the County of Benzie, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Benzie, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

January 12, 2007

County of Benzie, Michigan

Schedule of Expenditures of Federal Awards Year Ended September 30, 2006

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Pass-Through Programs From:			
Michigan Department of Community Health			
Women with Infant Children	10.557	XX4W1006	\$ 111,060
Women with Infant Children - Special Projects	10.557	2006W1011	2,000
Total U.S. Department of Agriculture			113,060
U.S. Department of Health & Human Services			
Pass-Through Programs From:			
Department of Human Services			
Title IV-D Cooperative Reimbursement-Prosecutor			
10/01/05 to 9/30/06	93.563	CS/PA-03-10002	42,432
Friend of the Court-Incentive	93.560	-	20,124
Total passed through MDHS			62,556
Pass-Through Programs From:			
Michigan Department of Community Health			
Immunization - IAP	93.268	H23 CCH522556	12,672
Immunization - Vaccine Handling	93.268	H23 CCH522556	120,302
CDI - Smoking Prevention	93.283	U58 CCU522826	12,615
Bioterrorism Pan Flu	93.283	CCU517018	24,099
Bioterrorism Focus A	93.283	CCU517018	186,203
Local MCH F	93.994	B1MIMCHS	16,044
Family Planning	93.994	B1MIMCHS	4,632
Case Mgmt. Services	93.994	B1MIMCHS	7,798
Family Planning	93.217	05H000173	23,009
Medical Administration	93.778	5XX05MI5048	9,548
Total passed through MDCH			416,922
Total Department of Health and Human Services			479,478
U.S. Department of Housing and Urban Development			
Pass-Through Programs From:			
Northwest Michigan Human Services Agency			
Michigan Community Development Block Grant	14.228	MSC-2003-0771-HOA	1,934
Michigan Community Development Block Grant	14.228	MSC-2006-0771-HOA	26,912
Total Department of Housing and Urban Development			28,846
U.S. Department of Homeland Security			
Pass-Through Programs From:			
Michigan Department of State Police			
2004 State Homeland Security Grant Program	97.004	119051	43,140
2004 Law Enforcement Terrorism Prevention Program	97.004	11905H	25,667
Emergency Management Performance Grant	97.042	42005K	5,475
2005 State Homeland Security Grant Program	97.067	N/A	8,015
2005 Law Enforcement Terrorism Prevention Program	97.067	N/A	4,424
Subtotal passed through MDSP			86,721
Pass-Through Programs From:			
Michigan Department of Natural Resources:			
2006 Marine Safety Grant	97.012	N/A	24,179
Total U.S. Department of Homeland Security			110,900
U.S. Department of Transportation			
Pass-Through Programs From:			
Michigan Department of Transportation			
Grace Road from Forrester Road to US 31	20.205	STP 0610(007)	719,857
Pass-Through Programs From:			
Michigan Department of State Police, Emergency			
Management Division:			
Hazardous Material Emergency Preparedness 2005-2006	20.703	-	911
Total U.S. Department of Transportation			720,768
Total Expenditures of Federal Awards			\$ 1,453,052

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Benzie, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - COGNIZANT AGENCY

The County has not been assigned a cognizant agency. Therefore, the County is under the general oversight of the U.S. Department of Transportation which provided the greatest amount of indirect federal funding to the County during fiscal year 2006.

NOTE C - NORTHWEST MICHIGAN HUMAN SERVICES AGENCY ADMINISTRATION

The Michigan Community Development Block Grant CFDA #14.228 is administered by the Northwest Michigan Human Services Agency.

NOTE D - FEDERAL GRANTS – ROAD COMMISSION

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ended September 30, 2006, the Federal aid received and expended by the Road Commission was \$719,857 for contracted projects. Contracted projects are defined as projects performed by private contractors that are paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commission, as they are included in MDOT's single audit.

NOTE E - FEDERAL REVENUES

Total Federal Expenditures	<u>\$ 1,453,052</u>
Federal Expenditures of District Health Department	<u>(529,982)</u>
Federal Expenditures of Road Commission	<u>(719,857)</u>
Federal Revenues per Financial Statement	<u>\$ 203,213</u>

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs

CFDA NUMBERS

Name of Federal Program or Cluster

93.283	Bioterrorism
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

NONE.

Section III – Federal Award Findings and Questioned Costs

NONE.

EXCESS EXPENDITURES OVER APPROPRIATIONS

Finding 2005-1

Condition/Criteria: Public Act 621 of 1978, Section 18, (1) as amended, provides that a county shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County's actual expenditures and budgeted expenditures for the General Fund and Special Revenue Fund's have been shown on a functional basis. The approved budgets of the County for these funds were adopted on an activity and/or program level. During the year ended September 30, 2005, the County incurred functional expenditures which were in excess of the amounts appropriated as shown within Note 15 in the basic financial statements.

Effect: The County is not in compliance with State law.

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

Recommendation: The County should strictly control expenditures in each governmental fund so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

Management's Response – Corrective Action Plan: The budgets of the General Fund and Jail Millage Funds will be more closely monitored and budget amendments will be made accordingly.

Status: Corrected

Additional Information

COUNTY OF BENZIE, MICHIGAN

ADDITIONAL INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Honorable Chairman & Members
of the Board of Commissioners
County of Benzie, Michigan
P.O. Box 398
Beulah, MI 49617

Our report on our audit of the basic financial statements of the County of Benzie, Michigan, as of and for the year ended September 30, 2006, appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed on the following pages regarding the Municipal securities disclosure requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 is presented for purposes of additional analysis and is not a required part of the basic financial statements, and accordingly, we express no opinion on it.

Anderson, Tackman & Company, PLC
Certified Public Accountants

January 12, 2007

NOTE 1 - DEBT ISSUES APPLICABLE TO SEC RULE 15c2-12 DISCLOSURE REQUIREMENTS:

Debt issues of \$1,000,000 or more sold on or after July 3, 1995 are applicable to SEC rule 15c2-12 disclosure requirements. As of September 30, 2006, the County has the following debt issues which apply to SEC Rule 15c2-12:

- 1 \$2,085,000 1997 Building Authority Refunding Bonds.
2. \$1,265,000 1998 Building Authority Bonds, Series 1998.

NOTE 2 - TABLES:

The following tables are included in the debt issues and are required to be updated annually to comply with the Municipal Securities disclosure requirements of the SEC Rule 15c2-12:

A. State Equalized Valuation:

	50% of True Value
2006 -	\$ 1,630,247,547
2005 -	1,487,297,079
2004 -	1,301,441,654
2003 -	1,204,165,487
2002 -	1,113,871,689
2001 -	898,302,049
2000 -	808,095,828
1999 -	732,475,429
1998 -	659,406,807
1997 -	587,772,167

Source: Benzie County

B. Taxable Valuation:

2006 -	\$ 943,504,468
2005 -	871,219,780
2004 -	805,938,284
2003 -	743,112,961
2002 -	691,905,133
2001 -	639,478,120

NOTE 2 - TABLES: (Continued)

<u>2006 Breakdown by Use</u>	
Residential	89%
Commercial	6%
Industrial	1%
Personal Property	2%
Agricultural	1%
Timber-Cutover	<u>1%</u>
 TOTAL	 100.00%
<u>2006 Breakdown by Class</u>	
Real	98%
Personal	<u>2%</u>
 TOTAL	 100.00%

Source: Benzie County

C. County Tax Rates & Levies:

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
County Operating	3.5768	3.6629	3.7565	3.8473	3.9311
County Operating*	2.7273	2.2768	2.3588	1.7496	1.7100
Voted County (Jail)	<u>1.2651</u>	<u>1.2956</u>	<u>1.4236</u>	<u>2.0000</u>	<u>2.0000</u>
TOTAL COUNTY	7.5692	7.2353	7.5389	7.5969	7.6411
Traverse Bay Area I/S/D	<u>2.9421</u>	<u>2.9589</u>	<u>2.9732</u>	<u>2.9929</u>	<u>3.0149</u>
TOTAL ALL JURISDICTION	10.5113	10.1942	10.5121	10.5898	10.6560

*Extra Voted.

The County's authorized operating tax rate is 5.29 mills.

Source: Benzie County

NOTE 2 - TABLES: (Continued)

D. Tax Collection Record:

County of Benzie pays from a 100% Tax Payment Fund delinquent real property taxes of all municipalities in the County, including the County. Delinquent personal property taxes are negligible. The County's fiscal year begins October 1. County taxes are due July 1 and December 1 and become delinquent the following March 1.

<u>Year</u>	<u>Tax Levy</u>	<u>Amount*</u>	<u>%</u>	<u>%</u>
2006	\$ 30,499,318	\$ -*	-%*	-%
2005	27,799,725	26,107,645	93.91	100
2004	25,534,307	23,596,461	92.41	100
2003	22,530,566	20,849,584	92.54	100
2002	21,210,530	19,290,703	90.95	100
2001	20,683,870	18,832,814	91.05	100
2000	18,062,029	16,339,252	90.46	100
1999	16,950,575	15,190,124	89.85	100
1998	15,732,577	13,707,689	87.13	100
1997	15,213,212	13,236,943	87.00	100

**Reflects only real property delinquencies and assumes 100% collection of personal property taxes.

*Not available until after settlement on March 1st.

Source: Benzie County

E. General Fund Revenues and Expenditures:

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues & Transfers In	\$ 5,267,204	\$ 5,012,830	\$ 4,893,632	\$ 4,388,720
Expenditures & Transfers Out	<u>5,940,888</u>	<u>5,043,577</u>	<u>4,574,329</u>	<u>3,557,026</u>
Revenues over(under) expenditures	(673,684)	(30,747)	319,303	831,694
Beginning Fund Balance	1,389,986	1,420,733	1,101,430	386,067
Residual Equity Transfer	-	-	-	(116,331)
ENDING FUND BALANCE	<u>\$ 716,302</u>	<u>\$ 1,389,986</u>	<u>\$ 1,420,733</u>	<u>\$ 1,101,430</u>

Source: Benzie County

NOTE 2 - TABLES: (Continued)

F. Debt Statement:

	<u>Gross</u>	<u>Net</u>
Direct Debt of County:		
Building Authority	\$ 1,835,000	\$ 1,835,000
Capital Improvement	<u>430,000</u>	<u>430,000</u>
	<u>\$ 2,265,000</u>	<u>\$ 2,265,000</u>

In addition to the above, the County issues self-supporting Limited Tax Delinquent Fund Tax Notes each year which mature in 1 to 3 years.

Per Capita County Net Direct Debt	\$ 129.68
Percent County Net Direct Debt to 2006 TV	.24%

OVERLAPPING DEBT OF COUNTY:

School Districts	\$ 18,089,507
Cities	1,570,000
Townships	-
Villages	1,358,000
Intermediate School Districts	<u>-</u>
Net Overlapping Debt	<u>\$ 21,017,507</u>
Net County and Overlapping Debt	<u>\$ 23,282,507</u>
Per Capita County Net Direct and Overlapping Debt	\$ 1,333.02
Percent Net Direct and Overlapping Debt to 2006 TV	2.47%

Source: County of Benzie and Municipal Advisory Council of Michigan

Note: Estimated population for 2006 is 17,466

Source: U.S. Census Bureau



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

REPORT TO MANAGEMENT

Honorable Chairman and Members
of the Board of Commissioners
County of Benzie, Michigan
P.O. Box 398
Beulah, MI 49617

We have audited the basic financial statements of the County of Benzie; Michigan for the period ended September 30, 2006, and have issued our reports thereon dated January 12, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the County of Benzie, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County of Benzie, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about County of Benzie, Michigan's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on County of Benzie, Michigan's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on County of Benzie, Michigan's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Benzie, Michigan are described in Note 1 to the financial statements. We noted no transactions entered into by the County of Benzie, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Asset lives and allowances for bad debts are examples of accounting estimates.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by County of Benzie, Michigan's that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County of Benzie, Michigan's financial statements our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Benzie, Michigan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Comments and Recommendations

ALS and BLS Allocation

Northflight, which is contracted by Benzie County for their ambulance services, has not separated ALS and BLS accounts receivable. When calculating the allowance for doubtful accounts, an estimate had to be used separate to separate the ALS and BLS portions. This will not be fully corrected until the 2006-2007 fiscal year.

Summer Tax Levy

With the change in the funding of Revenue Sharing, various issues have surfaced. The State allowed Counties to place an amount equal to 1/3 of their 2004 levy for three years from the 2004, 2005, and 2006 levies in a Reserve fund each January. To replace this 1/3 taken from the operating levy the County is allowed to levy a summer tax beginning in July of 2005. 1/3 of the 2005 levy, 2/3 of the 2006 levy and 3/3 of the 2007 levy would be summer collections. This process of funding would allow the Counties to still fund Revenue Sharing and still receive 100% of their operating levies each year. One area of concern is that the summer collections are not completely received in cash at year end. Furthermore, what isn't collected does not become delinquent until March 1 of each year. This creates a cash flow shortage which can be alleviated by borrowing from the Revenue Sharing Reserve Fund. It also creates a revenue recognition issue in that the revenue is not collected within 60 days of year end. It is collected when tax settlement occurs in March. In summary, the County will need to reevaluate its cashflow needs considering the changes above.

Personal Property Taxes

Currently, the County is not recording the amount of outstanding delinquent personal property taxes that are due to the County in the general ledger. It is recommended the County record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The County should maintain subsidiary ledgers which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

Inmate Trust

The Inmate Trust balance on the general ledger is not periodically reconciled to the subsidiary listing of individual inmate accounts. In an effort to provide accurate record keeping these two records need to be reconciled monthly.

GASB Statement 45 – Accounting and Financial Reporting By Employers for Post-Employment Benefits Other Than Pensions

In June 2004, the GASB issued Statement 45, which establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes post-employment healthcare as well as other post-employment benefits such as life insurance.

The Statement is implemented in three phases, with the County of Benzie, Michigan required to implement the Statement for the year ended September 30, 2009. GASB Statement 45 is going to impact the future accounting of post-employment health insurance costs as it relates to the amount the County will be required to fund these benefits. Beginning in 2009, the County will be required by governmental generally accepted accounting principles to pay the current cost of providing those benefits as well as an amount needed to fund a portion of the unfunded liability relating to the post-employment health benefit. The unfunded liability will be required to be actuarially determined and will be amortized over a period likely not to exceed thirty years. The methods used as part of Statement 45 are similar to those currently used to determine required contribution rates for defined benefit pension plans.

The County Commission as well as Management should begin to consider the impact of GASB Statement 45 prior to the required implementation date.

Conclusion

This information is intended solely for the information and use of the Board of Commissioners, management, federal and state awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



**Anderson Tackman & Company, PLC
Certified Public Accountants**

January 12, 2007